AGRICULTURAL OUTLOOK

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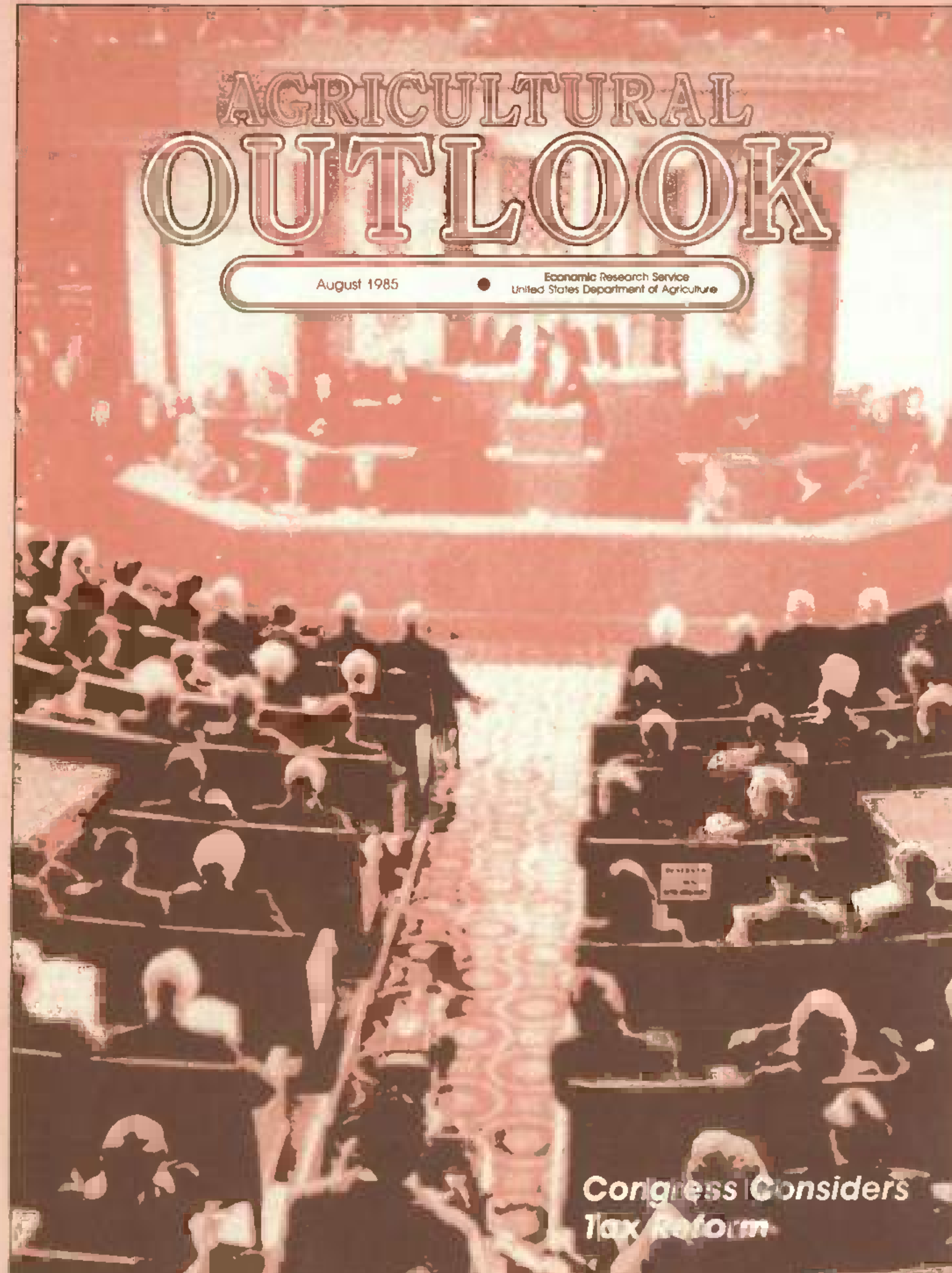

Congress Considers Tax Reform

AGRICULTURAL OUTLOOK

August 1985/AO-111

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In Brief. . . News of Proposed Tax Reform, Land Values & Global Wheat

The agricultural economy is weak, and estimates for farm income are below last year's. Commodity prices have been low, and exports sluggish. Export value for the first 8 months of fiscal 1985 was 13 percent below the same period last year.

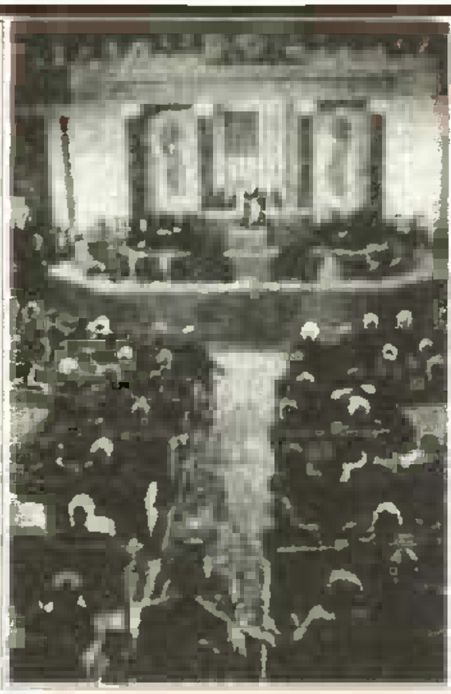
Total cash receipts from crop and livestock marketings are expected to decline about 1 percent from 1984. Although higher crop receipts will offset lower livestock receipts, they are forecast to rise less than 1 percent. This is because increased marketings barely offset lower prices.

Burdensome stocks shadow the U.S. wheat and rice outlook. Total wheat supplies will likely be only 4 percent below 1984/85's record 4.0 billion bushels. An excessive rice carryin of about 65 million cwt has pushed the total supply to nearly 192 million. Although rice producers cut plantings 0.3 million acres from a year ago, lower production was more than offset by the larger carryin.

Corn was planted well ahead of schedule and acreage is up, suggesting a large fall feed grain crop. So far, the condition of these crops has been reported as good to excellent. Also progressing well is the U.S. cotton crop. With exports plus mill use expected to total only 9.8 million bales during 1985/86, ending stocks could reach 7 million bales.

Noncitrus fruit production in 1985 may equal last year's 11.7 million tons. Fewer apples, cherries, peaches, and plums will counterbalance larger crops of apricots, California grapes, and nectarines.

Since high-yielding rice varieties were introduced 2 years ago, area planted to them has increased dramatically, from



less than 150,000 to more than 1 million acres in 1985. Their full impact on the rice sector has yet to be measured however, as the 1985 season begins with the largest acreage reduction implemented since PIK. The presence of the new varieties is partly responsible for such an extensive acreage reduction.

Food prices in 1985 are rising at a slightly slower rate than in 1984. Large supplies of many farm foods, particularly meats, have kept food price increases small this year. In addition, the rate of increase in disposable personal income has slowed, reducing the upward pressure on consumer demand. The Consumer Price Index (CPI) for food in the first 5 months of 1985 averaged only 2.5 percent above a year earlier. The CPI for food will continue its pace in the second half of 1985, giving an annual average increase between 2 and 4 percent.

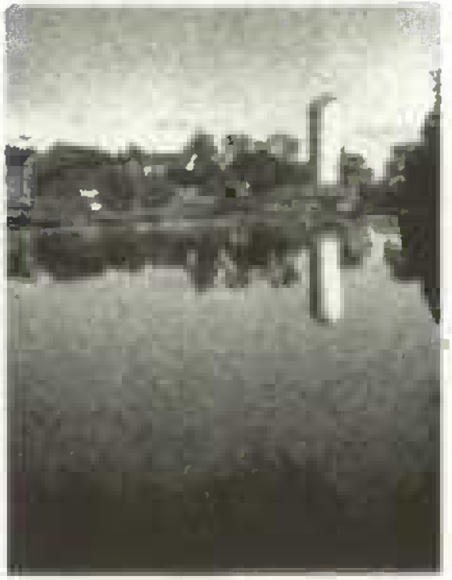
Total per capita food consumption is forecast to increase 0.3 percent in 1985 to 1,431 pounds (retail weight equivalent). Consumption gains are expected in chicken, fish, vegetables, and vegetable oils, offsetting declines in red meats and fruits.

World wheat import demand has leveled off in the 1980's. The most recent U.S. export forecast for 1985/86 shows a 15-percent drop, to 32.7 million tons, the lowest since 1978/79. Reasons for the decline include the effect of the high dollar and international debt on the world economy, and production gains in importing countries such as China and India.

Average farmland values dropped 12 percent from April 1984 to April 1985. The index of U.S. farmland value was 128 (1977 = 100), down from 146 in 1984. When this 12-percent decrease in nominal value is coupled with the 4-percent increase in the Consumer Price Index (CPI), it implies a 16-percent fall in real terms.

The decline was widespread, affecting all the contiguous States, except New England, New Jersey, and Texas. Losses were largest in the Corn Belt, Lake States, and Northern Plains, where values decreased 20 percent or more in all States except Wisconsin, Michigan, and North Dakota.

The Administration has proposed tax reforms aimed at equalizing the tax treatment of income earned by different sources in the economy. Eliminating the investment tax credit, lengthening capital depreciation periods, and reducing the ability to claim immediate tax deductions for certain development costs would increase tax rates marginally and likely lead to a slight decline in overall farm investment. However, incentives for investment in farming would be based more on prospective economic returns and less on tax benefits under the Administration's proposal.



Agricultural Economy

The Administration has proposed tax reforms aimed at equalizing the tax treatment of income earned by different sources in the economy. Eliminating the investment tax credit, lengthening capital depreciation periods, and reducing the ability to claim immediate tax deductions for certain development costs would increase tax rates marginally and likely lead to a slight decline in overall farm investment. However, incentives for investment in farming would be based more on prospective economic returns and less on tax benefits under the Administration's proposal. The current tax system has had a significant impact on expanding farm production capacity by favoring durable capital purchases and debt financing.

Most farmers will pay either less or about the same in taxes under the proposal because of lower marginal rates and larger personal exemptions. Orchards, vineyards, and livestock farms would have increased tax liabilities. Cow-calf and dairy operations would be affected more than other livestock producers. Individuals who have made extensive use of preferential provisions would bear the largest tax increases. Self-employment and Social Security taxes would likely increase in the short run, but would decrease as provisions for indexing take effect.

Tax reform can make the burdens borne in the entire economy more equitable, but can do little to relieve the short-term agricultural problems. The financial pressures many farmers have faced since 1981 are likely to continue through the end of the year.

The agricultural economy is weak, and estimates for farm income are below last year's. Commodity prices have been low, and exports sluggish. Export value for the first 8 months of fiscal 1985 was 13 percent below the same period last year.

Total cash receipts from crop and livestock marketings are expected to decline about 1 percent from 1984. Although higher crop receipts will offset lower livestock receipts, they are forecast to rise less than 1 percent. This is because increased marketings barely offset lower prices. Lower prices could lead to an increase in net CCC loans.

Ten years ago, net farm income, deflated by the GNP implicit price deflator, was $20.3 billion. For 1985, this figure is forecast at $9 to $11 billion. The drop off in demand for U.S. farm products has had a significant impact on the agricultural economy. One result is a decapitalization of both real estate and machinery and equipment. The magnitude rivals the rapid asset appreciation that occurred in the 1970's.

The value of farm assets increased sharply, from $350 billion in 1972 to $1,090 billion in 1981. Changes in land values accounted for more than three-quarters of the gain in asset values. Asset values have slipped since 1981, however, to $1,030 billion in 1983 and an estimated $950-$975 billion at the start of 1985. While this drop is small compared with the nominal appreciation of the 1970's, the 1980's drop has been large enough after adjustment for inflation to offset roughly half the previous decade's gain.

Farm asset values could stabilize if commodity prices stay even or increase, or if price and income supports are maintained at present levels. USDA has estimated the average value in 1985 at $679 an acre. This figure was $219 in 1972 and peaked at $823 in 1982.

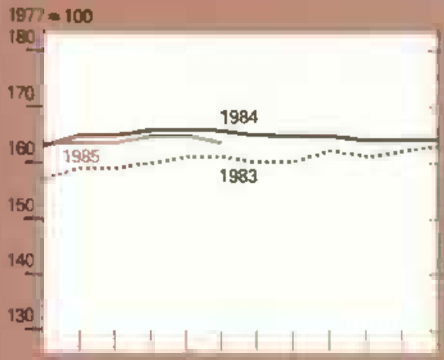
The general economy has also affected the movements of asset values. The rate of economic growth, employment, and the changing value of the dollar have all worked indirectly to affect land values through their impact on the demand for and cost of producing farm products. However, inflation and interest rates have had a stronger and more direct impact. Low interest and high inflation rates strengthened the 1970's asset appreciation while high interest and low inflation rates in the 1980's fueled the decline.

Increases in land values exceeded the inflation rate in the 1970's, partly because of land's investment appeal outside the farm sector. Rising returns within the sector, combined with Government programs underwriting incomes and, in turn, land values, made land attractive to outside investors interested in hedging against or profiting from inflation.

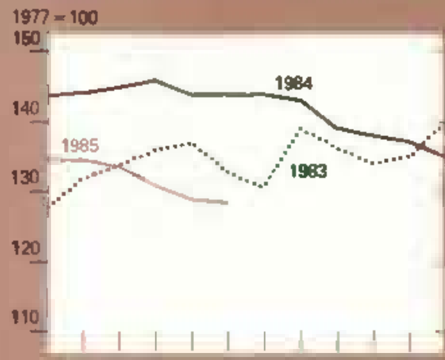
This year's increased beginning stocks, excellent crop prospects, and weak demand are putting added downward pressure on commodity prices, farm incomes, and asset values. If the crop prospects forecast for 1985 materialize, oversupply problems could worsen and incomes and land values could slide further. [*Herb Moses (202) 447-8378*]

Prime Indicators of the Agricultural Economy

Prices paid by farmers[1]

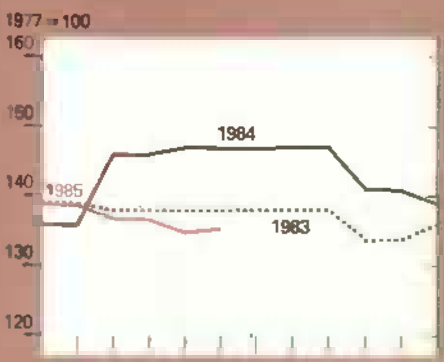


Prices received by farmers[2]

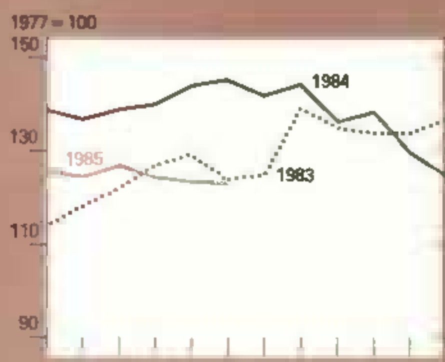


Ratio of prices received to prices paid

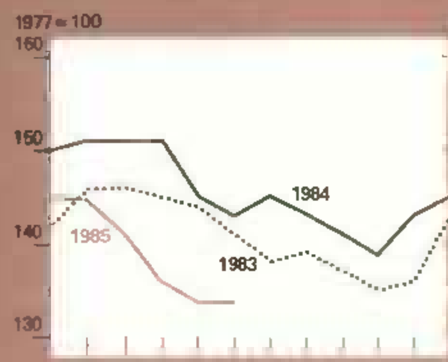
Fertilizer prices[3]



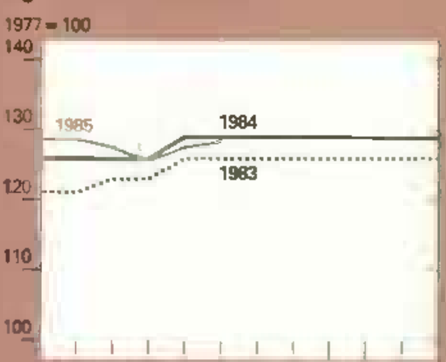
All crops[4]



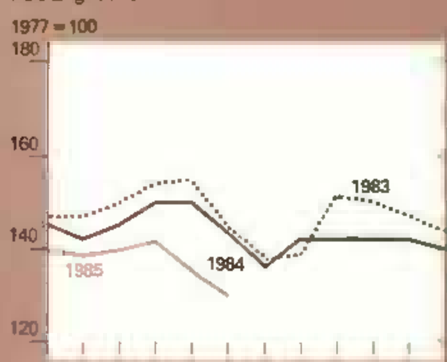
Livestock and products[4]



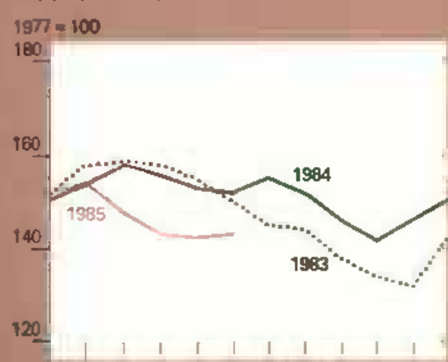
Agricultural chemicals[3]



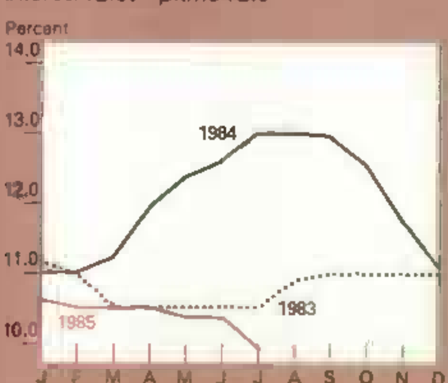
Food grains[4]



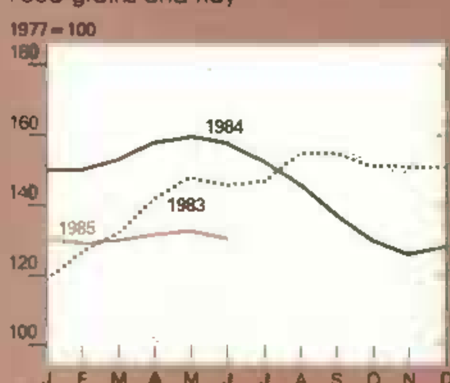
Meat animals[4]



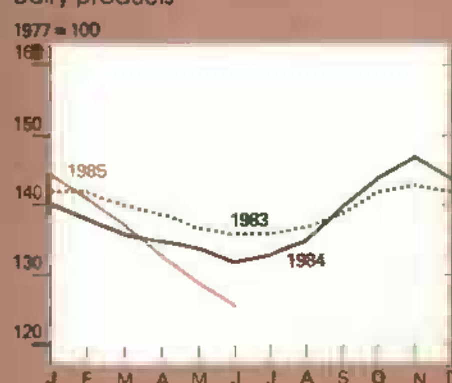
Interest rates—prime rate



Feed grains and hay[4]



Dairy products[4]



[1] For commodities and services, interest, taxes, and wages.
[2] For all farm products.

[3] Index of prices paid; 1977 = 100.
[4] Index of prices received; 1977 = 100.

LIVESTOCK HIGHLIGHTS

• *Cattle*

Second-quarter fed cattle marketings likely fell short of expectations. Marketings during May in the seven monthly reporting States were down 3 percent from a year earlier. This was well below that needed for feedlots to become current and to relieve the backlog of heavy-weight cattle that has existed since February.

Dressed weights remained high through June and weekly cattle slaughter declined below a year earlier, indicating that June marketings did not relieve the situation. Lower than expected marketings during the second quarter portend continued large fed beef supplies through much of the third quarter. In addition, May dressed weights of 665 pounds were a record.

Weights during June likely remained at or above 665 pounds and will continue high through most of the summer. Therefore, higher fed marketings and high dressed weights will likely offset sharp declines in nonfed cattle slaughter. This will result in third-quarter production near last year's high level.

Cattle placed on feed in the seven States during May fell 7 percent from a year earlier. With fewer fed marketings and placements during the second quarter, the number of cattle on feed in the seven monthly reporting States was up 2 percent from a year earlier. Placements may have increased seasonally during June. Breakeven prices for fed cattle to be marketed in mid-fall began to decline in June as feed and feeder cattle prices fell.

Yearling feeder steer prices were supported this spring by stocker demand. However, most stocker demand has been met and feeder steer prices will be held down by low Choice steer prices until the fed cattle market strengthens. Lower breakeven prices will encourage placing cattle on feed through the third quarter, particularly as feed prices continue to decline.

Lower placements during the second quarter portend sharp seasonal declines in fed marketings during the fourth quarter. Seasonally increasing nonfed steer and heifer and cow slaughter will pull average dressed weights down somewhat this fall and result in production dropping 4 to 6 percent from a year earlier.

Total steer and heifer slaughter in May was about even with a year ago, but up 8 percent from April. The number of steers in the slaughter mix fell 5 percent, while heifer slaughter increased 10 percent from a year earlier. Since fed steer and heifer marketings fell during May, nonfed heifer slaughter appears to have risen sharply.

The breeding season generally begins in June, so a large increase in nonfed heifer slaughter this late in the spring probably indicates liquidation of heifers that normally would be bred this year and calve and enter the herd in 1986. A large decline in the number of heifers bred this summer will result in further declines in the cow herd and calf crop during 1986. Heifers retained this fall will be bred next spring and enter the herd in 1987. The July 1 Cattle Inventory will be released July 22, providing a more accurate view of changes in the cattle inventory.

Omaha Choice steer prices averaged $57.66 a cwt during the second quarter, down from $66.01 last year. Retail beef prices this spring averaged about $2.35 a pound, down from $2.42 a year earlier. At the same time, the farm-to-retail spread was about $1.09 during the second quarter. Last year, the farm-to-retail spread averaged $1.02 during the second quarter. The spread should narrow through the second half of the year.

Kansas City yearling steer prices averaged about $67 a cwt during the second quarter. This compares with $65.30 last year.

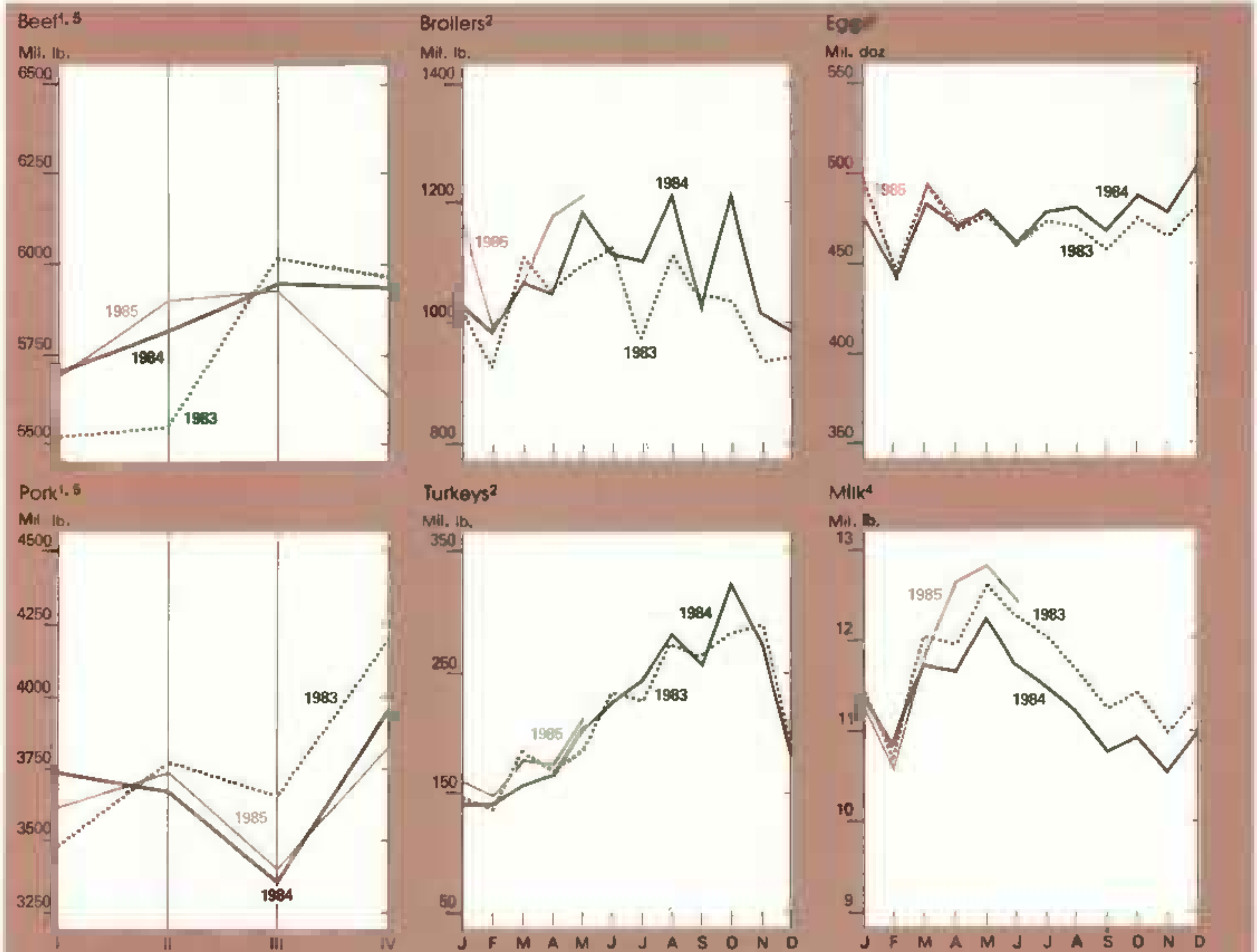
Feeder cattle continue to sell at a premium to fed cattle, and are well above a year ago despite the nearly $8 decline in fed cattle prices. This reflects the large declines in feed costs and optimism that fed cattle prices will rise as production declines this fall. [*John Nalivka (202) 447-8636*]

• *Hogs*

The June 1 *Hogs and Pigs* report indicated that producers are continuing to reduce their herds and farrowing intentions. Although producers reduced the number of sows farrowing during December-February, the number of pigs saved per litter was a record, resulting in a spring pig crop slightly higher than a year earlier. Based on the June 1 market hog inventory and farrowing intentions, pork production will be below a year earlier this fall and in the first half of 1986.

The continuing cutbacks come from poor producer returns and financial stress. Sow slaughter as a percent of total slaughter during spring 1985 suggested an end to the breeding herd declines. However, the number of barrows and gilts slaughtered relative to the March 1 inventory of market hogs weighing 60 to 179 pounds indicated that producers marketed a larger proportion of gilts than normal, resulting in a breeding herd reduction.

In the face of financial difficulties and poor returns, this behavior seems logical. Producers marketed the gilts to raise cash for debt payment or for operating expenses. The marketing of extra gilts provides alternative financing for spring planting, especially to those producers with both crop and hog enterprises.



[1]Commercial production. [2]Federally inspected slaughter, certified. [3]Farm production. [4]Total production. [5]Forecast for latest quarters.

The inventory of all hogs and pigs in the United States totaled 52.1 million head on June 1, down 1 percent from a year ago. The breeding herd totaled 7 million head, 5 percent below a year ago and the lowest since June 1 inventory estimates began in 1964. The market hog inventory totaled 45.1 million head, down 1 percent from a year ago. U.S. hog producers intend to have 5.61 million sows farrow in June-November, a decline of 4 percent from last year. However, pigs per litter will likely increase from 1984's 7.54 pigs. So, the fall pig crop may be down only slightly from last year.

Pork production for all of 1985 is estimated at 14.6 billion pounds, down 1 percent from a year ago. Based on the June 1 inventory of market hogs and a slightly higher dressed weight, third-quarter pork production is projected at 3.4 billion pounds, up 1 percent from last year. Pork production in the fourth quarter is projected at 3,825 million pounds, down 3 percent from last year. The average dressed weight is expected to be about the same.

In February, hog prices per cwt rallied into the high $40's. They are expected to remain near that level in July and August as pork production is seasonally low. In September, when pork production increases seasonally, prices

may fall, averaging in the mid-$40's. Prices are expected to average $46 to $50 a cwt in the third quarter.

In the fourth quarter, hog prices are expected to average $45 to $49 a cwt as red meat production declines moderately below year-earlier levels. However, poultry production is expected to be up moderately, tempering hog price gains. [*Leland Southard (202) 447-8636*]

● *Broilers*

Seasonally strong prices during June have resulted in continued favorable returns for broiler integrators. As a result, producers are increasing broiler supplies.

Based on slaughter in April and May, plus the birds that could have been slaughtered in June, output from federally inspected plants during the second quarter may be 6 percent larger than last year's 3,350 million pounds. During third-quarter 1985, broiler production may be up 4 to 6 percent from last year.

The number of eggs set and chicks placed has been down slightly from increases earlier in the year. Since hot weather is usually expected in the third quarter, producers will have to give birds more room in the houses, and thus production may not rise as much as expected. Even with the seasonal fourth-quarter decline in demand, broiler production may be up 4 to 6 percent from last year.

The composite 12-city price for whole birds averaged 51 cents a pound during the second quarter, down from 56 cents last year. Even though prices were down slightly, they seem strong, given increased broiler production amid slightly higher per capita red meat consumption.

During third-quarter 1985, broiler prices are expected to remain about the same as the second-quarter average. Prices for broilers will likely fall seasonally in the fourth quarter from third-quarter levels and may average 48 to 52 cents, about the same as last year. [*Allen Baker (202) 447-8636*]

● *Turkeys*

Turkey producers continue to expand production, but the monthly increases have not been constant. Since January, turkey poults placed for U.S. slaughter have ranged from 1 percent above last year in March to 10 percent in January. In May, they were up 3 percent. The variation suggests producers are uncertain about the strength of the prices they will receive.

Turkey meat output during second-quarter 1985 from federally inspected slaughter plants is expected to be 6 percent above last year's 589 million pounds. Based on how many turkeys could be slaughtered in second-half 1985, output may be 5 to 6 percent above last year.

Stocks of frozen turkey have been reported below a year ago during 1985 except on May 1. June 1 stocks were 5 million pounds below a year ago, even though the normal seasonal increase in the second quarter was beginning. Because stocks are below last year, prices will likely continue to depend upon current production and will not be held down by excessive stocks.

Prices in the Eastern region for commodity packed 8- to 16-pound hen turkeys averaged 65 cents a pound during second-quarter 1985, down slightly from 67 cents last year. Because some retailers had trouble meeting consumer demand during the fourth quarter last year, they are likely to buy their turkeys during the third quarter this year.

Thus, third-quarter prices are expected to be stronger than in the second quarter. Although prices will likely average 66 to 70 cents a pound, they would be down from 72 cents last year. With additional supplies expected, and with the potential for plentiful supplies of hams being released from current storage, prices for turkeys in the fourth quarter may average 63 to 67 cents a pound, down sharply from last year's 90 cents. [*Allen Baker (202) 447-8636*]

● *Eggs*

During June, heat threatened to reduce egg supplies in the Southeast and prices rose. Looking ahead, producers have been selling their older, less productive hens to try to reduce supplies. During May, the number of layers was down 2 percent from last year, but the number of eggs was about the same.

As the less productive hens are sold, the rate of lay increases. During May, the increase offset the decline in layer numbers. Egg production during the second quarter may be about the same as last year's 1,408 million dozen. With the reduced number of hens in the flock and with fewer replacement pullets than last year, egg production in second-half 1985 may be 1 percent below last year.

Egg producers have been in a price-cost squeeze in 1985. Costs have declined from last year, but so have prices. Cartoned Grade A large eggs in New York averaged 60 cents a dozen in second-quarter 1985, down from 83 cents last year. With the decline in supplies expected in the third quarter, egg prices may average 66 to 70 cents a dozen, near last year's 70 cents.

With a seasonal rise in demand in the fourth quarter, prices are expected to average 68 to 72 cents a dozen, up from 67 cents last year. If costs of production remain near current levels or increase only slightly, the stronger egg prices in the second half may result in producers' returns near breakeven or slightly above. [*Allen Baker (202) 447-8636*]

● *Dairy*

The average number of milk cows on farms during June was 11.025 million head, up 224,000 (2.1 percent) since January and a year earlier. For 1985, the number is expected to average about 0.5 percent larger than last year. Some additional growth is likely through this summer, but a drop may occur this fall because returns above feed costs will likely be lower.

Output per cow has improved from a year earlier. In June, it was 4 percent larger, and for all of this year it will likely be 2 to 2.5 percent more than the 12,495 pounds of 1984. Milk production during 1985 is expected to be 2 to 3 percent above the 135.4 billion pounds produced last year.

During June, U. S. farmers received an average of $12.20 a cwt for all milk, 70 cents below a year earlier. During 1983 and 1984, the all-milk price declined 70 cents a cwt from January to June. This year the drop was $1.80, because of a decline in the level of support and sharp gains in supplies of milk and dairy products.

For the first 6 months of 1985, the all-milk price averaged $13.10 a cwt, 12 cents below a year earlier. However, adjusting for the deductions, the effective all-milk price during January-June was $12.75, 7 cents a cwt higher than a year earlier.

With a support of $11.60 on July 1, the all-milk price is expected to decline through late summer. Assuming a support of $11.60 on October 1, the all-milk price may increase seasonally in the fall, but remain below 1984. The average 1985 price will likely be 45 to 75 cents a cwt under 1984's $13.45. The effective price would be 20 to 50 cents lower.

During times of significant price-support purchases, the CCC purchase prices for butter, cheddar cheese, and nonfat dry milk tend to become the floor for the wholesale market prices. Reflecting the lower purchase prices, the wholesale spot prices for cheese and nonfat dry milk were lower during April, May, and June.

Because of the July 1 price support reduction, lower wholesale market prices are expected this summer. Little, if any, upward price pressure is expected this fall on the wholesale spot prices.

Additional declines in the retail dairy price index are expected through late summer because of the lower level of support. During January-May, the retail dairy index averaged 3.1 percent above a year earlier, but with some additional declines during the summer, the index for all of 1985 is expected to average 1 to 2 percent higher than last year.

Since February, USDA net removals (delivery basis) under the price-support program have increased sharply from a year earlier. On a milkfat basis, total purchases during March-June were 5.6 billion pounds, up 41.7 percent from that period in 1984. For calendar 1985, net removals are projected to be 20 to 40 percent greater than 1984's 8.6 billion pounds.

Preliminary data for first-quarter 1985 indicate commercial disappearance of all milk and dairy products on a milkfat basis was up 0.6 percent, (1.8 percent after adjustment for leap year). The gain for all of 1984 was 3.5 percent (3.2 adjusted). Sales for 1985 are expected to be 0.5 to 1.5 percent higher. [*Clifford Carman (202) 447-8636*]

CROP HIGHLIGHTS

• *Wheat*

For the past four seasons, the U.S. wheat industry has been dominated by extra large crops and burdensome supplies. Heavy participation in 1985's acreage adjustment program, pegged at 74 percent of base acreage, compared with 60 percent in 1984, helped to reduce 1985's prospective harvest area. Good development weather kept yields high.

The winter wheat harvest is forecast 10 percent less than 1984's 2.06 billion bushels. The spring wheat crop is projected to be slightly larger than last year's. This will put wheat supplies only 4 percent under 1984/85's record 4.0 billion bushels.

Because of a record 1.26-billion-bushel harvest of Hard Red Winter wheat, 1985's production of bread wheats will be up 5 percent from a year ago. On the other hand, reduced seeding of Soft Red Winter wheat and dry weather in the Pacific Northwest White wheat belt will lower this year's soft pastry wheat production a fourth below 1984. Pasta wheat (durum) output will most likely be down about 20 percent from last year because producers have reduced plantings.

The outlook for wheat use in 1985/86 is also down—nearly 11 percent below a year ago. Although domestic use may decline slightly, a forecast reduction in export volume of 224 million bushels will cut use of U.S. wheat to the lowest in 5 years.

Because total disappearance will be below production, stocks could build to a record. The July harvest glut and extremely low export sales have kept farm prices below the $3.30 a bushel loan rate in nearly all locations. For the season, an average farm price between $3.20 and $3.40 is likely.

World wheat production in 1985/86 is forecast at 515.0 million tons, up marginally from last year. The major revisions in projected foreign output since June involved the Soviet Union, France, and Argentina.

Forecast Soviet wheat production, at 83 million tons, was lowered 4 million tons from last month due to dryness in the spring wheat areas. The French wheat production forecast was raised 1.5 million tons to 30.0 million because of the excellent recent weather. The July forecast for total EC output is 70.0 million tons, surpassed only by last year's record harvest. Dryness in Argentina during the planting season has reduced plantings and yield prospects, prompting a 600,000-ton downward revision in forecast Argentine output to 11.5 million.

World wheat trade in 1985/86 is expected to reach 97.5 million tons, down 8.0 million from 1984/85. Projected declines in the import demands of the USSR, Brazil, and China, and record supplies held by the major export competitors means competition for markets will be extremely keen this year and world prices may fall.

The outlook for U.S. exports is not promising and the export forecast remains at 32.7 million tons. Export sales and commitments for 1985/86 as of early July were only one-half the level of a year ago. For more information on the world wheat situation, see "World Agriculture and Trade" in this issue. [*Allen Schienbein (202) 447-8444 and Scott Reynolds (202) 786-1691*]

• *Rice*

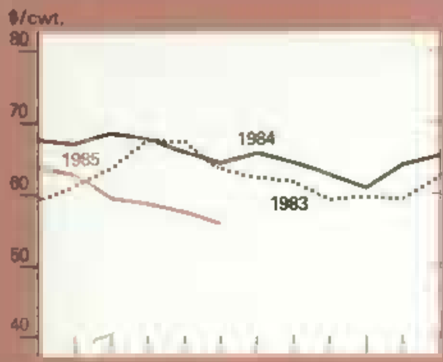
As the 1985/86 rice crop year gets underway, excessive supplies continue to weaken the market. A burdensome carryin near 65 million cwt will push the total rice supply near 192 million. Although rice producers cut plantings 0.3 million acres from a year ago, lower production was more than offset by the larger carryin.

The projected 9-percent decline in total rice production is not evenly distributed by type. Long grain production is expected to be down a modest 4 percent, but short grain production may drop nearly 40 percent and medium grain 15 percent. Thus, long grain's share of all rice produced in 1985 will likely be about 75 percent, compared with 71 percent in 1984.

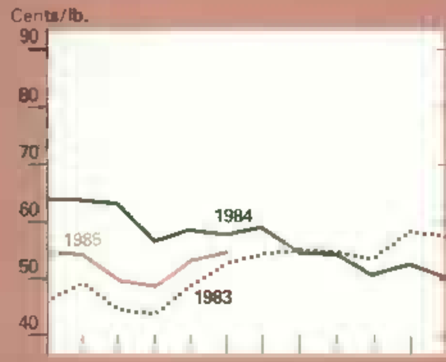
With disappearance forecast to decline slightly from the previous year, carryout stocks for 1985/86 are expected to climb to 72.7 million cwt. This would exceed the level reached in

Commodity Market Prices: Monthly Update

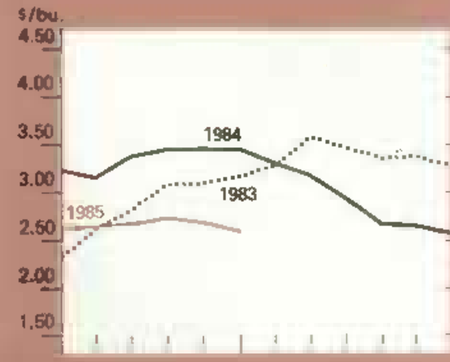
Choice steers[1]



Broilers[4]



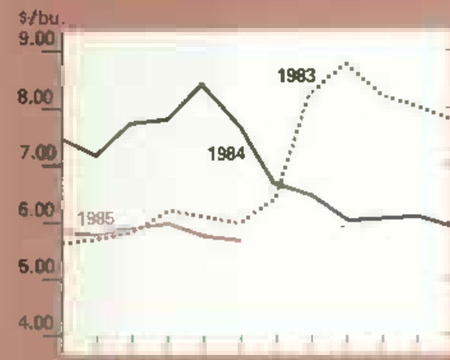
Corn[6]



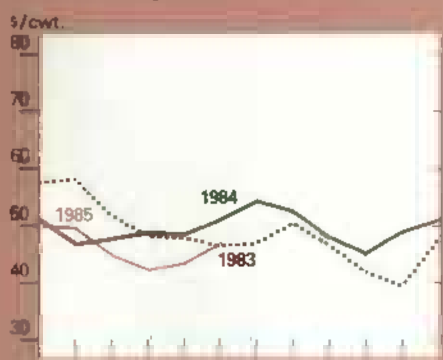
Choice feeder cattle[2]

Eggs[5]

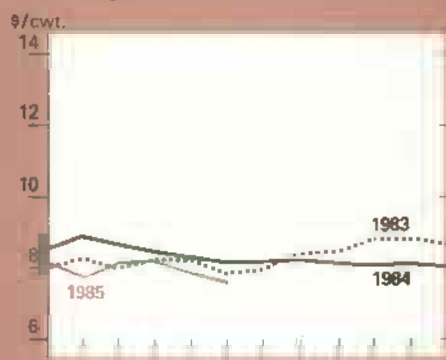
Soybeans[7]



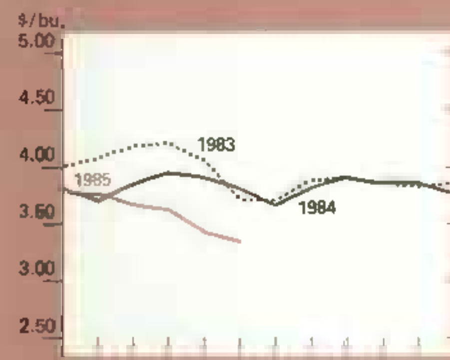
Barrows and gilts[3]



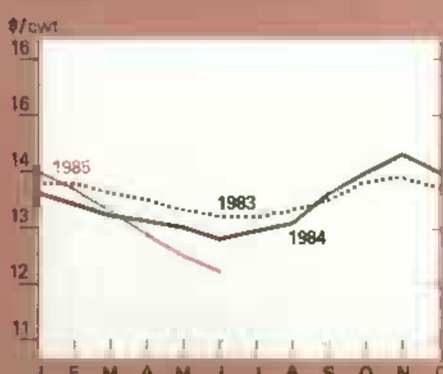
Rice (rough)



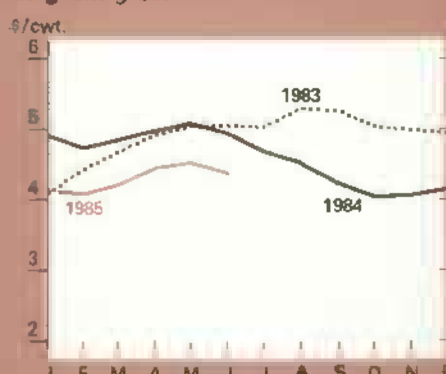
Wheat[8]



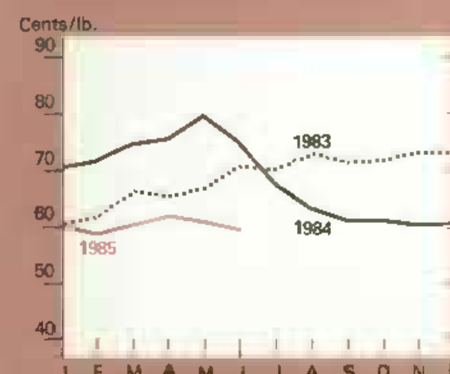
All milk



Sorghum grain



Cotton[9]



[1] Omaha. [2] 600-700 lbs., Kansas City. [3] 7 markets.

[4] Wholesale, New York. [5] Grade A Large, New York.

[6] No. 2 Yellow, Chicago. [7] No. 1 Yellow, Chicago.
[8] No. 1 HRW, Kansas City.
[9] Average spot market, SLM 1-16."

1982/83, the year before PIK. Thus, farm prices are expected to be relatively low and range from $7.80 to $8.80 a cwt.

World milled rice production in 1985/86 is estimated at a record 319.7 million tons (469.5 million rough basis), an increase of 1.6 million over 1984/85. Production of major export competitors is expected to rise slightly: a 330,000-ton increase in Thailand will offset the expected decline in Burma. Another year of bountiful harvests in China, India, Indonesia, and Pakistan, coupled with large beginning stocks, may result in a glut of exportable supplies. World consumption in 1985/86 is forecast to grow less, around 1 percent, while total world trade may rise only marginally, to 12.0 million tons.

Global rice trade in calendar 1985 is forecast at 11.8 million tons. While Thai exports have slowed considerably since mid-June, they remain ahead of last season's record pace. After very low exports through May, the Rice Export Corporation of Pakistan recently has instituted weekly rice tenders and is undercutting Thai prices in the lower quality grades.

With Burma's 1985 exports through May totaling only 138,000 tons, compared with 350,000 tons a year earlier, the pace of exports will have to quicken in the coming months to avoid losing market share. However, competition will probably increase further as large harvests in China, India, and Indonesia add to the exportable surplus in Asia.

Despite two large rice sales recently, the 1985 U.S. export forecast remains at 2.0 million tons. Commercial sales have been extremely slow. The Philippines purchased over 130,000 tons of medium grain rice under P.L. 480 financing for shipment in August and September. Also, the Iraqi Grain Board purchased 100,000 tons of long grain rice for delivery between August and October. Iraq used GSM-102 financing and has now purchased about 250,000 tons for delivery in 1985. [*Janet Livezey (202) 447-8444 and Scott Reynolds (202) 786-1691*]

• *Feed Grains*

With corn and sorghum planting well ahead of schedule and corn acreage up, a large fall feed grain crop is in prospect. The reported condition of these crops has been good to excellent. Although the Southeast and Great Plains lacked some moisture, Corn Belt and Delta moisture was adequate through June.

July *Crop Production* reported 83.2 million acres planted to corn, 3 percent above last year. This leads to a forecast production of 8.1 billion bushels, well above the last 2 years but slightly below the 1982 record. For sorghum, area planted was reported at 17.8 million acres. Production is expected to rise to 900 million bushels, 4 percent above last year.

The harvest of early sorghum and small grains has progressed well. Also, an ahead-of-schedule winter wheat harvest generated cash grain bids that put wheat cheaper than corn in some locations.

June 1 stocks of corn were 2,832 million bushels, implying a marketing year-to-date feed and residual disappearance of 3,451 million. This, with expected competition from wheat through the summer quarter, has led to a reduced forecast feed and residual disappearance of 4,150 million bushels and a higher projected carryout for the 1984/85 marketing year.

Total U.S. feed grain production is expected to reach 249 million metric tons in 1985. With projected carryin and imports, total supply for the 1985/86 marketing year is projected to reach 294 million tons, 10 percent above 1984/85. Total disappearance is projected at 220 million tons, leaving a projected carryout of 76 million.

While feed grain supplies are plentiful, demand will stay sluggish. Beef and pork production will decline from year-earlier levels, although broiler production is maintaining healthy growth. Cheap grain and protein feeds normally encourage expansion in the red meat sectors. However, analysts are not optimistic, because large meat supplies and poor returns continue to result in reduced livestock inventories.

World coarse grain production for 1985/86 is forecast at a record 825 million tons—an increase of almost 3 percent from last year and more than 20 percent above the reduced 1983/84 crop. Significant production gains continue to be forecast for South Africa and Canada as more favorable weather is expected to boost yields. Although some early season dryness has affected spring grains in the USSR, output is still expected to be well above 1984/85. With record production forecast and 1985/86 beginning stocks up over 23 million tons from a year earlier, world supplies are forecast to reach 914 million tons, further weakening global prices. Argentina has been exporting corn and sorghum at prices well below U.S. prices for some time. Last month, Argentina devalued the peso about 18 percent, which would have further widened the gap. However, this devaluation was offset by an increase in export taxes of 9-10 percentage points.

Intensified coarse grain competition in 1985/86 is likely to come from several countries and regions. For example, the forecast for Spain's barley crop was increased substantially in July and may approach last year's 10-million-ton crop. Because Spain is expected to enter 1985/86 with large stocks, another large crop may induce it to increase exports. However, Spanish barley prices remain well above prevailing world market prices, and subsidies would be needed for export prices to be competitive.

Global coarse grain trade prospects remain dim because production is strong in many of the traditional importing nations. The outlook for U.S. corn exports for 1985/86 remains unchanged at 43.2 million tons, down over 6 million from a year earlier and dramatically below the record 61.8 million of 1979/80. Reduced exports to the USSR, slowly responding foreign economies, the high value of the U.S. dollar, intense competition from foreign exporters, and relatively high U.S. export prices are expected to depress U.S. sales. [*David Hull (202) 447-8776 and James Cole (202) 786-1691*]

• *Oilseeds*

The July 10 *Crop Production* report shows harvested soybean area in 1985/86 estimated at 62.3 million acres. The preliminary forecast for 1985/86 soybean production is 1.9 billion bushels, 2 percent above last year. The 1985/86 season is likely to see continued heavy soybean supplies.

Early forecasts suggest only modest increases in both crush and exports, with crush reaching 1,035 million bushels and exports 675 million. With a sizeable rise in forecast production and a large carryin relative to 1984, ending stocks in 1985/86 are forecast at 390 million bushels, up from the estimated

285 million for 1984/85. Large supplies and lagging use lead to prices expected in the range of $5.25 to $5.95 a bushel.

Soybean prices (Central Illinois) averaged $5.72 during the first half of June, falling from $5.76 in May. As the 1984/85 season draws to a close, soybean crush is estimated at 1,025 million bushels, and exports at 645 million. Domestic soybean meal disappearance has strengthened somewhat, reaching 1.7 million tons in May, up from 1.5 million in April.

While the higher disappearance reflects heavy feeding in the livestock sector (as suggested by slaughter weights), it may also be that some domestic disappearance is inventory building away from crush sites. April soybean meal stocks were the highest since April 1977, and stocks at the end of May set a record. Soybean meal prices averaged $112 a ton in May and have settled between $108 and $113 a ton through mid-June.

Soybean oil prices remain high, averaging 33 cents a pound for May, before slipping to 31 cents by mid-June. This is probably in response to increased South American exports. The market is still signaling a tight oil situation—cash prices in June remained above futures for all months through July 1986.

The 1985/86 global oilseed sector will have to strike a balance between low oilseed and meal prices and high vegetable oil prices. World oilseed production may rise slightly, with production of most high-oil-content oilseeds increasing at a faster rate than soybeans.

Soybeans will increase primarily because of larger prospective U.S. output. Early estimates for South American soybeans indicate a slight drop in Brazil's output, but a large gain in Argentina's. Cottonseed production will likely show a large decline because less area was planted to cotton in China, the world's largest producer, and yields are forecast to be down.

The upcoming soybean crop will be adversely affected by the continued weakness in global soybean meal use. While world soybean meal consumption is expected to increase around 2 percent, it will remain 1 million tons below 1982/83. In the EC, the extremely cheap price of meals relative to grains should be an incentive to increase protein meal use. However, the EC's large output of grains and oilseeds may combine with a strong dollar to limit the demand for imported soybeans and meal.

Japan's domestic consumption of protein meals is forecast to increase around 2 percent. Rapeseed meal's share of total meal consumption has risen slightly in recent years. Japan has also purchased less U.S. soybeans in recent months and increased their purchases of soybeans from South America and China. In 1985/86, rapeseed meal use will continue to rise, but there may be less competition in Japan's total meal use from foreign soybean producers.

Increased soybean meal use is expected in 1985/86 in Latin America and Eastern Europe. Mexico continued rapidly buying soybeans throughout the 1984/85 marketing year and is building stocks. Thus, although Mexico may increase soybean meal use 7 percent in 1985/86, part of its needs will come from stocks.

The Soviet Union poses the greatest uncertainty in the global oilseed sector. Over the past 5 years, Soviet imports have been erratic and extremely difficult to predict. Having purchased large amounts of meal in 1982/83, the Soviets may have experienced difficulties with handling and storage. Soybean and soybean meal imports in 1985/86 may remain near the reduced 1984/85 levels.

Vegetable oils highlight the world outlook. Differentials between U.S. and foreign prices are currently distorted, with U.S. prices ranging higher. In the EC, the greater availability of other vegetable oils has led to prices lower than those in the United States. The amount of palm oil produced in the next 6 months will be critical. If palm oil supplies increase sharply, foreign demand for soybean oil could drop off and lessen the pressure on the U.S. soybean oil situation.

For 1985/86, exports of U.S. soybeans may increase slightly from the drastically slowed 17.6 million tons expected in 1984/85. Soybean exports this May were less than half last year's level.

U.S. soybean meal exports for 1985/86 may increase slightly, following 1984/85's sharp drop. Soybean oil exports are expected to drop more than 135,000 tons because of the limited U.S. supplies. [*Roger Hoskin (202) 447-8776 and Jan Lipson (202) 786-1691*]

• *Cotton*

The 1985 cotton crop was planted 1 to 2 weeks ahead of schedule and crop progress across the Cotton Belt is reported as good to excellent. Total area planted to cotton in 1985 reached 10.8 million acres, 3 percent below a year ago. Low competing crop prices, especially for soybeans in the Southeast, precipitated relatively large cotton plantings. Total planted area plus that diverted under the 1985 cotton program is around 14.4 million acres.

U.S. mill use improved from a seasonally adjusted annual rate of 5 million bales in December 1984, to 5.5 million during May 1985. A fashion trend toward denim and reduced retail inventories of cotton products caused the increase, and should push mill use to 5.3 million bales for the 1984/85 season.

However, in the long run, certain fundamentals will affect mill use. They are slow growth in constant-dollar retail sales (2-3 percent forecast for 1985) and faster growth in the textile trade deficit (10 percent forecast for 1985). Consequently, although cotton's market share may rise 1-2 percent during 1985/86, a 6-percent decline in mill use, to 5 million bales, is forecast for next season.

U.S. cotton exports are moving toward a 6.4-million-bale total for 1984/85. However, this reasonably good performance was due to strong shipments early in the season, before competing exporters could recover from their poor 1983 harvests. Exports have been moving more slowly since March and are forecast at 4.8 million bales for 1985/86. With exports plus mill use expected to total only 9.8 million bales during 1985/86, ending stocks could reach 7 million bales.

Foreign output in 1985/86 is expected to be down 9 percent from 1984/85 because of a mountain of beginning stocks and generally less favorable producer incentives. However, production will stay 10 percent above the 1980/81-1984/85 average as cotton remains a comparatively attractive crop in many countries.

Major producing nations such as Egypt, Sudan, and the USSR are expected to post advances in 1985/86.

An expected 15-percent increase in area in Sudan should raise production to around a million bales in 1985/86 and generate much needed export earnings. Sudan grows cotton exclusively as a cash crop for export, and usually exports about 90 percent of its output.

Cotton production in the USSR should rebound from last year's level, if yields increase. However, possible shortfalls may occur if low quality cottonseed hurts yields. Higher quality should be reflected in this year's lint outturn because of increased financial and governmental incentives. Increased handpicking will again be used to upgrade quality and improve the ginning rate.

Plantings are up in Egypt because of the Government's decision to substantially increase farm prices. Thus, production at 2 million bales is estimated to be about 9 percent greater than in 1984/85.

Declines in output are forecast for several large producers such as Turkey, China, and Pakistan. China's crop, projected at 22.5 million bales, is estimated to be down 20 percent from last year, but 3 million above the 19.5-million procurement target. Cotton is still more lucrative to the farmer than other crops, hence, production will exceed target levels.

A 10-percent drop in Turkey's production is projected because of unfavorable market conditions. Producers were dissatisfied with last year's support prices and the Government's method of payment. In addition, increased input costs are squeezing returns. The Government's tight money policy and attempts to halt inflation imply that the seed cotton support price will only increase marginally in 1985/86. Consequently, planted area may be down 17 percent.

Production in Pakistan should be down in 1985/86. A shortage of irrigation water has delayed land preparation and sowing, especially in Sind Province, where more than 25 percent of the crop is usually harvested. However, production may still be the second highest on record.

Foreign mill use may reach 66.1 million bales in 1985/86, up from 64.4 million in 1984/85, in part because of governmental emphasis on the textile industry in several developing nations. India's new textile policy aims to modernize its industry, while increasing investment to expand the production of cotton and synthetic textiles. More flexibility has been given to mills through liberalized controls on textile machinery imports and removal of capacity limits on power looms.

Pakistan has been supplying more electricity to mills and has instituted a rebate system for textile exports. China continues to import technology as it expands its textile industry. On the other hand, major cotton textile exporters in East Asia will expand consumption marginally, if at all.

Foreign raw cotton exports may increase almost 9 percent, to 15.7 million bales, the highest since 1975/76. Australia may export about 900,000 bales due to good quality and competitive prices. China will also show a substantial increase in exports as the Government tries to dig itself out from under a huge surplus of raw cotton. Brazil exports may surpass 1984/85 sales by more than one-third if the 13-percent export tax exemption is extended and another Government subsidy is instituted. Little change is expected in other major exporters.

Ending stocks are expected to grow 2.9 million bales in foreign countries by the end of 1985/86. However, if China is excluded, foreign stocks may decline. This implies a drop in these countries' stocks-to-use ratio from 28 percent in 1984/85 to 26, the third lowest since 1970. Beginning in 1974, this ratio has shown a significant downtrend. Over time, these countries are holding less fiber inventory because of high costs. [*Terry Townsend (202) 447-8444 and Richard Cantor (202) 786-1691*]

• *Tobacco*

Supplies of U.S. tobacco are expected to drop 3 percent in the next marketing year because of lower anticipated 1985 marketings. Beginning stocks should be larger. If acreage is near producer's planting intentions and yields are normal, marketings will be 12 to 15 percent below 1984's 1.64 billion pounds.

The July *Crop Production* report points to a 10-percent smaller flue-cured crop than last year. Together with tobacco carried over from 1984, marketings may total about 780 million pounds. So, total flue-cured supplies could drop about 155 million pounds, or around 5 percent.

Burley growers indicated they would plant 16 percent fewer acres in 1985. Marketings of burley tobacco are expected to drop 15 to 20 percent from a year earlier.

Unmanufactured tobacco exports during July 1984-April 1985 were 11 percent above a year earlier. Export volume for the entire marketing year is likely to exceed 1983/84's by 10 to 15 percent. Flue-cured exports during the first 10 months of 1984/85 were about 12 percent above a year earlier. For the entire marketing year, about 500 million pounds of flue-cured tobacco (farm sales weight) will likely be exported, about 10 percent more than the year before. Burley exports will likely rise substantially from 1983/84's 112 million pounds.

During July 1984-April 1985, U.S. imports of unmanufactured tobacco for consumption and customs category 170.8045 (tobacco manufactured or not manufactured, not specially provided for) were down 23 percent from a year earlier. Part of the drop came from abnormally large clearances in July and August 1983 in anticipation of a Custom's reclassification of machine-threshed leaf. On April 1, U.S. manufacturers' stocks of imported cigarette tobacco had declined from a year earlier.

After hearing recommendations from manufacturers, grower groups, and the tobacco loan cooperatives, a bill was introduced in the Senate in July to modify the tobacco program. The bill would lower price supports for the 1985 burley crop to $1.45 a pound. (The bill assumes that the support level of the 1985 flue-cured tobacco will be lowered to $1.40 a pound administratively.)

The method of calculating 1986 price supports and beyond would be modified. Determination of marketing quotas would be tied more closely to anticipated use and would allow producers and manufacturers to share equally in no-net-cost assessment fees. The bill would require manufacturers to purchase current flue-cured loan stocks over 8 years and burley loan stocks (except for the drought-affected 1983 crop) over 5 years. [*Verner N. Grise (202) 447-8776*]

Fruit

Noncitrus fruit production in 1985 (excluding dried prunes) will likely be unchanged from last year at 11.7 million tons. Smaller crops of apples, cherries, peaches, and plums will be counterbalanced by larger crops of apricots, California grapes, and nectarines.

The U.S. peach crop is forecast at 2.14 billion pounds, 19 percent smaller than last year. Indicated freestone production is down 30 percent from last year, with the Southern States expected to harvest less than half the amount of last year. The California clingstone peach crop, used mostly for canning, will likely be down only slightly. The crop is in good condition, but fruit size is small.

The initial forecast of U.S. apple production for the 1985 season is set at 8.06 billion pounds, 3 percent below last year. Although the 3.05 billion pounds forecast for the Eastern States is down 6 percent, New York, the leading State, expects to harvest a 4-percent larger crop than in 1984. Apple production in the Western States is also expected to decline 9 percent from last year, to 3.49 billion pounds.

Washington, the leading apple producer, is expecting a crop of 2.5 billion pounds, down 15 percent from 1984. Record cold weather after unseasonally warm weather in early April reduced the crop. California's forecast of 540 million pounds is up 11 percent from a year ago. Production in the Central States is forecast at 1.52 billion pounds, up 25 percent from 1984, primarily because of a 30-percent increase in Michigan production.

The U.S. pear and California plum crops will be down about 9 and 27 percent, respectively, from last year. However, California's nectarine output is forecast at an alltime high. The California grape harvest is projected to be 11 percent larger than last year, with increased production reported for table, wine, and raisin grapes. Because of low returns, fertilizer applications and irrigation have been reduced to cut costs. Some vineyards have been pulled or abandoned since last season.

As of July 1, the 1984/85 U.S. citrus crop was estimated at 10.4 million tons, 3 percent below 1983/84. The decline is primarily due to the freeze-damaged Florida orange crop. However, remaining unharvested supplies of oranges and lemons were up sharply from last season, reflecting larger California Valencia and lemon crops. Unharvested grapefruit supplies were only moderately larger.

During the first half of 1985, the index of grower prices for all fruit averaged 19.3 percent above 1984. In June, the index continued to advance seasonally, but was 6 percent below a year ago due to lower grower prices for lemons, oranges, and apples. Orange prices are expected to remain lower than a year ago through the summer, while prices for fresh grapefruit and lemons will likely remain firm.

Retail fresh fruit prices have also risen steadily, reflecting reduced citrus supplies and rising demand. The smaller summer fruit crops, combined with seasonally low supplies of apples and citrus, are expected to keep retail fresh fruit prices high this summer. Because of higher prices for frozen concentrated orange juice and canned fruit, retail prices of processed fruit have been above a year earlier. However, because of slow movement, retail prices of processed fruit should remain relatively steady through the summer. [*Ben Huang (202) 447-7290*]

Vegetables

Vegetable harvests are on schedule in the major producing areas (Corn Belt, Texas Rio Grande Valley, Arizona, and California). By the second week of June, California's broccoli and lettuce harvests were in full swing. However, grower prices were down 38 percent and 61 percent, respectively, from last year due to heavy supplies. Shipments of California fresh-market tomatoes tripled in the first week of June from the last of May, but still ran 50 percent behind a year earlier. F.o.b. tomato prices have advanced as supplies in other areas declined.

U.S. processing vegetable acreage in 1985, at 1.41 million acres, is a modest 1 percent above last year. However, processing tomato acreage dropped 10 percent, mostly in California. Snap bean, cucumber for pickles, and green pea processing acreage increased 4 to 6 percent over last year, while sweet corn moved up 1 percent. The primary use of snap beans, sweet corn, and green peas has been shifting from canning to freezing. In particular, sweet corn acreage for canning dropped 7 percent from last year, while acreage for freezing rose 10 percent.

The shifts in processing vegetable acreage may be better understood by examining the trends in the Producer Price Index (PPI) for canned and frozen vegetables. The PPI for all canned vegetables trended downward from January to May 1985, and is currently 4 percent below those 5 months in 1984. Canned sweet corn prices alone dropped 20 percent, helping to pull the overall May index down to 244.6 (1967 = 100).

The PPI for frozen vegetables during this period moved in the opposite direction, rising 3 percent with frozen green beans up 4 percent. Prices for frozen green beans will likely dip because 1985 contract acreage is estimated to be 7 percent over 1984. This would be the largest amount of acreage contracted in 10 years.

Planting of dry edible beans was nearly complete by mid-June. Estimated acreage is expected to match 1984's at 1.497 million acres, though Pinto acreage may increase and Great Northern may decline. Although grower prices for all dry beans have strengthened so far in 1985, they remain 10 percent below the first 5 months of 1984.

If yields and exports remain at last year's levels, producers will likely see falling prices through harvest even though exports are currently running 6 percent above last season's. In California, the new-crop large Lima bean harvest is approaching, spurring price cuts on old-crop beans. [*Shannon Hamm (202) 447-7290*]

Sugar

On June 28, after review of market conditions, the CCC offered sugar processors a 1-month extension on their 1984-crop loans that matured July 1. Several Florida sugar processors have filed intent to forfeit notices on raw sugar.

In addition, Great Western (GW) Sugar Company forfeited 165.1 million pounds of refined sugar on July 1. Since June 1, GW has forfeited 216.9 million pounds and filed notice on another 56.7 million for July 31. Cargill Corporation bought 32 million of the 51.8 million pounds of refined sugar forfeited by GW on June 1. The purchased sugar came from GW's Colorado plants at Fort Morgan, Greeley, and Loveland.

The Crop Reporting Board's July 10 *Acreage* report showed that overall

planted sugarbeet acreage was down slightly from 1984. This is the first indication of sugarcane and sugarbeet acreage. Sugarbeets were not included in the February *Prospective Plantings* report because of uncertainty surrounding GW. Acreage will fall to nearly zero in Colorado and will be zero in Kansas. These reductions will offset acreage increases of 10 percent in Ohio, 14 percent in Michigan, 4 percent in Minnesota, and 75 percent in Montana.

Total sugarcane acreage is estimated to increase 1 percent in 1985. This increase will be almost solely in Louisiana where acreage is estimated to increase 7 percent, after a large decrease in 1984 due to freeze damage. Acreage in Hawaii is expected to drop 7 percent, while in Texas acreage should be down 5 percent from 1984. Florida acreage should be steady.

World sugar prices (f.o.b. Caribbean, contract no. 11) averaged 2.74 cents a pound in June, down slightly from May. World prices averaged 2.96 cents a pound in the second quarter, the lowest quarterly average since fourth-quarter 1968. World stocks at the end of 1984/85 are projected to reach 43.5 million tons, or 50 percent more than normal stock requirements. With no overall world stocks reductions foreseen in 1985/86, prices are likely to remain between 3 and 4 cents through early 1986.

The U.S. retail price of sugar fell 0.2 cents in May to 35.4 cents a pound. Declines followed decreases in domestic raw sugar prices. From May 1984 to May 1985, the spot price for domestic raw sugar (N.Y. contract no. 12) fell 4.2 percent, while retail sugar prices declined 3.5 percent.

The CPI's for 14 sugar-containing products rose 0.4 percent in May and are 3.8 percent higher than a year earlier. Prices for these items should continue to increase only moderately during the rest of 1985. Any retail price increases will be dampened by stable sugar prices. [*Dave Harvey (202) 447-8666*]

HIGH-YIELDING RICE

Problem or Solution?

Suppose the U.S. rice sector could sell all the rice it produces at current world market prices and cover all costs of production. Then suppose there were no acreage restrictions, and no rice program, so that all of the estimated 4 million acres reported as rice area were planted. Using the yield record set in 1981 of 4,819 pounds an acre, the U.S. rice crop would be around 190 million cwt, or 428 million bushels.

Though that figure may sound high, consider the more staggering figure of 260 million cwt—more than twice the forecast size of the 1985 crop. Impossible? Not any longer. Not with high-yielding long grain rice on the horizon.

To put these figures in some perspective, consider that record disappearance of rice was achieved in 1980, when it totaled 156 million cwt. Disappearance has declined every year since, and may be only 120 million cwt in 1985/86. That means the rice from one year's harvest of high-yielding varieties could fulfill 2 years of current demand, and still leave an adequate carryover.

This scenario may appear frightening to rice-industry watchers, but chances are it won't happen right away. There is currently a rice program, and to receive benefits one must restrict acreage.

Does this mean new varieties like Lemont don't stand a chance in the U.S. rice industry? Hardly.

In fact, since high-yielding varieties were introduced 2 years ago, area planted to them has increased dramatically, from less than 150,000 to more than 1 million acres in 1985. Their full impact has yet to be measured however, as the 1985 season begins with the largest acreage reduction implemented since PIK. Indeed, the very presence of the new varieties is partly responsible for such an extensive acreage reduction.

With the potential for annual yield increases now measured in hundreds of pounds rather than a trend yield increase of just 25 pounds an acre, substantially more area must be diverted from production to maintain price supports at even minimum levels. Farmers could harvest a larger crop from a smaller area while still satisfying more restrictive program requirements.

So, it is tempting to view the new technology in a negative light. But what about the benefits of high-yielding rice?

According to 1983 field demonstrations conducted in Texas, variable costs per acre for growing Lemont were 20 percent greater than current Texas varieties. Total costs per acre were 16 percent greater. But Lemont field demonstrations averaged 25 percent higher yields than presently used varieties. The net result: per-unit costs using Lemont were between 6 and 7 percent less. More recent field reports suggest that Texas producers who grew Lemont in 1984 nearly doubled their profits per acre in 1984 over traditional varieties.

Let's return to our opening assumption that the U.S. rice sector was competing on an equal price/cost footing within the world market. Unfortunately, the U.S. rice industry enjoys nothing so favorable.

Farm legislation being considered in 1985 will address potential solutions to this, but high-yielding rice varieties, far from being part of the problem facing the industry, could offer some much needed assistance both to growers and policymakers.

Lower unit costs are the key. Farmers would be able to withstand lower prices because their marginal costs would decline, restrictions on acreage could be eased, and price supports lowered. The overall impact is a reduction of Government involvement in the rice industry, lower Government program costs, and a more efficient rice sector.

Thus, if the rice market today could reach an equilibrium price of $8 a cwt, using the new high-yielding varieties would permit the market to clear at about $7.35 a cwt, reflecting a 7-percent decline in unit costs. In today's world rice market, that could make a difference. [*Barbara Stucker (202) 447-8444*]

Food and Marketing

Food Price Update
Food prices in 1985 are rising at a slightly slower rate than in 1984. Large supplies of many farm foods, particularly meats, have kept food price increases small this year. In addition, the rate of increase in disposable personal income has slowed, reducing the upward pressure on consumer demand. The Consumer Price Index (CPI) for food in the first 5 months of 1985 averaged only 2.5 percent above a year earlier. The CPI for food will continue its pace in the second half of 1985, giving an annual average increase between 2 and 4 percent.

Total production of red meat and poultry in 1985 is expected to equal 1984's. While beef and pork production is forecast to fall slightly this year from last, larger turkey and broiler production will more than offset the decline. Slaughter weights of cattle and hogs have averaged higher than normal this year, contributing to the larger-than-expected production of red meats. Also, the number of pigs saved per litter has averaged higher, adding to the expected number of slaughtered hogs. Poultry producers have increased production in response to a more profitable outlook and lower feed costs.

These large supplies of meats and poultry, coupled with slower growth in demand, have put downward pressure on retail prices. Average red meat prices in 1985 are likely to equal 1984's. Beef prices are expected to average slightly lower and pork slightly higher. Retail prices for turkeys and broilers this year are likely to average slightly lower than in 1984.

Fresh vegetable supplies have been larger this year than in 1984 despite the late January freeze that did considerable damage to the Florida crop. Supplies were large because many fresh vegetables had been harvested prior to the freeze and Mexican imports were very large.

Changes in food price indicators, 1982 through 1985

	1982	1983	1984	1985F
Consumer Prices Indexes:			Percent	
All food	4.0	2.1	3.8	2 - 4
Food away from home	5.3	4.4	4.2	3 - 6
Food at home	3.4	1.1	3.7	2 - 4
Meat, poultry, & fish	4.0	-0.7	1.6	-1 - 2
Meats	4.8	-1.1	0.3	-1 - 2
Beef & veal	1.4	-1.5	1.2	-1 - 2
Pork	12.9	-0.7	-1.3	1 - 3
Poultry	-1.8	1.2	10.6	-2 - 1
Fish & seafood	3.6	1.2	3.2	2 - 5
Eggs	-2.8	4.7	11.7	-18 - -15
Dairy products	1.4	1.2	0.7	1 - 2
Fats & oils	-2.8	1.3	9.5	3 - 5
Fruits & vegetables	5.5	0.3	8.6	2 - 4
Sugar & sweets	-0.2	1.9	3.9	2 - 4
Cereals & bakery products	4.5	3.2	4.4	2 - 4
Nonalcoholic beverages	2.8	1.9	2.5	2 - 4

F = forecast.

As a result, fresh vegetable prices did not rise to the extent they had after the Christmas freeze in 1983. This January, much of the damaged vegetable acreage was replanted, causing harvest of replanted acres to overlap harvest of spring crops from other parts of the country. This kept supplies of fresh vegetables large in the spring quarter. With the CPI for fresh vegetables keeping well below last year's, prices in the second half are expected to average slightly lower.

Fresh fruit supplies this year have been small because of a reduced 1984 apple harvest, smaller winter pear production, and a freeze-reduced citrus crop. Most fresh market citrus comes from the California crop, and it was also small.

Supplies of most fresh fruit will remain in tight supply this summer because of harsh winter weather and late spring frosts. Damage to peach trees in the Southeast will substantially reduce the summer crop. Supplies of apricots, plums, and sweet cherries also will be smaller than last year.

With smaller supplies of many fresh fruits, prices will likely be much higher than in 1984. For all 1985, the CPI for fresh fruit is expected to average 12 to 14 percent above 1984.

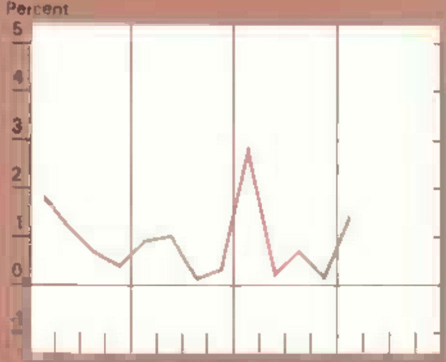
Retail prices of most processed and packaged foods are expected to average between 2 and 4 percent above 1984. Rising marketing costs, including costs for labor, packaging, transportation, and energy are expected to cause most of the rise in retail prices. Increases in food marketing costs this year are expected to be near the general inflation rate, which is forecast at about 4 percent. [*Ralph Parlett (202) 447-8801*]

Food Consumption Update
Total per capita food consumption is forecast to increase 0.3 percent in 1985 to 1,431 pounds (retail weight equivalent). Consumption gains are expected in chicken, fish, vegetables, and vegetable oils, offsetting declines in red meats and fruits.

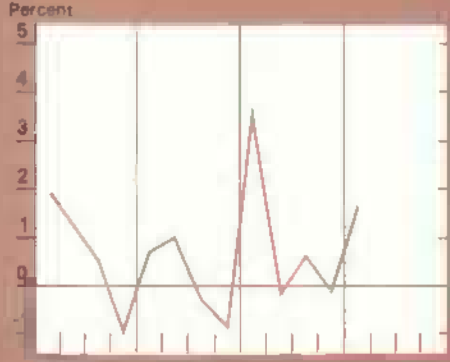
Total per capita red meat consumption in 1985 is forecast at 150.4 pounds, down 2 percent from 1984 and 3 percent below 1983. In contrast, continued increases in broiler production will

Food and Marketing Indicators

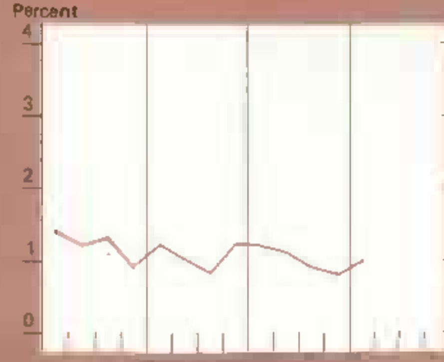
CPI: Total food°



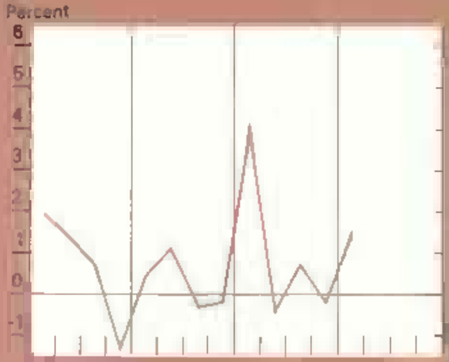
CPI: Food at home°



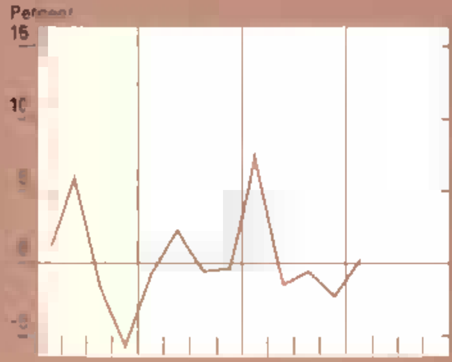
CPI: Food away from home°



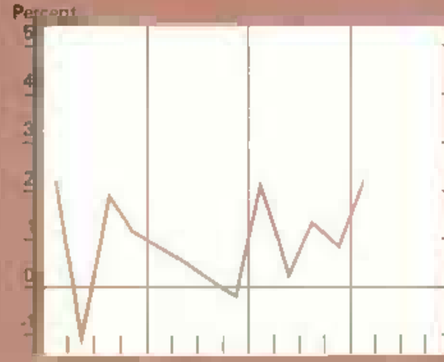
Farm food market basket, retail price



Farm value

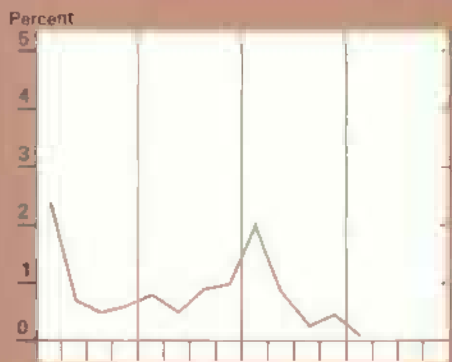


Farm to retail spread

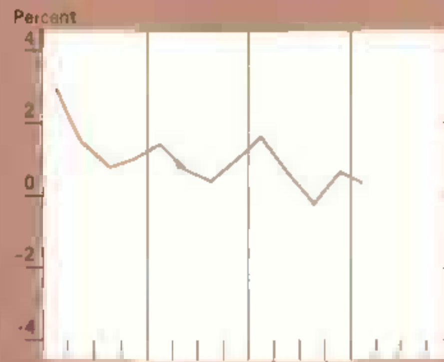


Imported food and fishery products

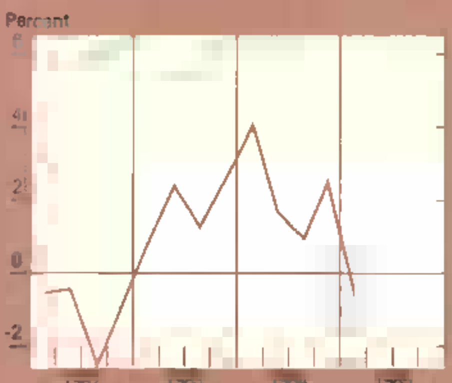
Marketing cost index



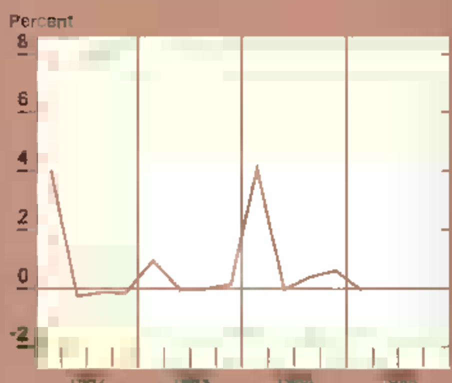
Labor cost



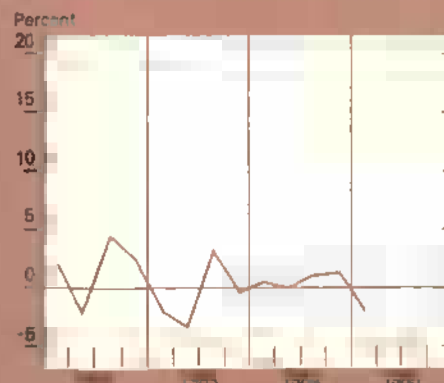
Packaging cost



Rail freight rates



Energy rates



°CPI unadjusted.
All series expressed as percentage change from preceding quarter.

Per capita consumption of selected items: retail weight equivalent

Item	1980-82 average	1983	1984p	1985F
Total food	1,395.7	1,422.8	1,426	1,431
Total red meat	154.1	154.2	153.6	150.4
Beef & veal	78.5	80.3	80.4	78.1
Pork	64.1	62.2	61.7	60.8
Lamb	1.4	1.5	1.4	1.3
Game & edible offals	10.1	10.2	10.1	10.2
Fishery products 1/	14.5	15.0	15.5	15.7
Poultry	62.6	65.4	67.5	70.0
Total meat, poultry, fish	231.2	234.6	236.6	236.1
Eggs	33.9	33.1	33.0	33.0
Dairy products (product weight)	303.9	306.7	307.2	308.0
Fats & oils (excluding butter)	56.3	57.6	56.6	59.1
Fruit & melons	164.1	175.0	170.6	168.9
Vegetables & potatoes	292.2	297.8	298.3	299.8
Flour & cereal products	150.3	149.6	151.6	152.0
Sugar & sweeteners (product weight)	139.1	142.1	146.6	148.4

p = preliminary. F = forecast. 1/ Includes estimates of game fish consumption.

raise per capita poultry consumption approximately 4 percent. This rise, plus a small increase in fish consumption, will nearly equal the decline in red meats. Total consumption for all groups will decline only 0.5 pounds from 1984's per capita record of 236.6 pounds.

Stable retail prices and promotional efforts for dairy products in 1985 may increase total disappearance of dairy products from 0.5 to 1.5 percent, assuming USDA donations remain at 1984 levels. Per capita, this is about 0.8 pounds more, on a product weight basis, and raises the total to 308 pounds, the highest per capita consumption in 5 years.

Per capita fats and oils consumption is projected to increase about 4 percent in 1985, based on census figures for domestic disappearance for January through May. Per capita disappearance of baking and frying fats and salad and cooking oils is expected to increase in 1985, while margarine use should remain constant. Total per capita fats and oils consumption (excluding butter) is forecast at 59.1 pounds in 1985.

Because of continued strong demand, per capita consumption of fresh vegetables is forecast to increase about 1 pound in 1985. Consumption of processed vegetables will increase slightly, while a decline in canned vegetables will be matched by an increase in frozen.

Fruit consumption will decline about 1 percent in 1985 due to reduced supplies of most major fruits—particularly citrus. Despite higher retail prices, strong demand for fruit juice will keep consumption constant. Increases in apple juice consumption will equal declines in frozen and chilled citrus juice. Total fruit and melon consumption is forecast at 169 pounds per capita in 1985, down from 171 pounds in 1984.

Use of sugar and sweeteners will increase modestly in 1985. Refined sugar will decline 7 percent, as high fructose corn syrup continues to replace sugar in processed foods. Increased competition is also expected from artificial sweeteners. Per capita consumption of aspartame in 1985 is forecast to be 5.5 pounds (sugar sweetness equivalent), up 60 percent from the amount used in 1984. [*Karen Bunch (202) 447-6860*]

Upcoming Crop Reporting Board Releases

The following list gives the release dates of the major Crop Reporting Board reports that will be issued by the time the September *Agricultural Outlook* comes off press.

August

1	Poultry Slaughter
2	Dairy Products
6	Celery
9	Vegetables
12	Crop Production
13	Mushrooms
	Turkey Hatchery
15	Sugar Market Statistics
	Milk Production
20	Cranberries
	Farm Labor
21	Catfish
22	Eggs, Chickens, & Turkeys
23	Livestock Slaughter
	Cattle on Feed
	Cold Storage
29	Peanut Stocks & Processing
30	Egg Products
	Agricultural Prices

Reports are available through subscription only. For subscription information, write or call Jerry Clampet, SRS, Crop Reporting Board, Rm. 5809-South Bldg., Washington, D.C. 20250; (202) 447-2130.

World Agriculture and Trade

Wheat: Changing Patterns in World Trade

U.S. wheat exports reached a peak of 48.8 million tons in 1981/82 (July/June basis) and have declined each year since. The most recent 1985/86 forecast shows a 15-percent decline from 1984/85 to 32.7 million tons, the lowest since 1978/79. Reasons for the recent export declines include the effect of the high dollar and international debt on the world economy, and production gains in importing countries such as China and India.

All are partially responsible, and many are interrelated. However, the picture is not complete without analyzing world import demand and the significant changes in certain major importers.

Individual importers usually have little or no control over the world economy or the trade practices of wheat exporters. They can, however, control their internal production, trade, and stockholding policies. Internal changes in many importing countries have significantly affected wheat trade in the 1980's.

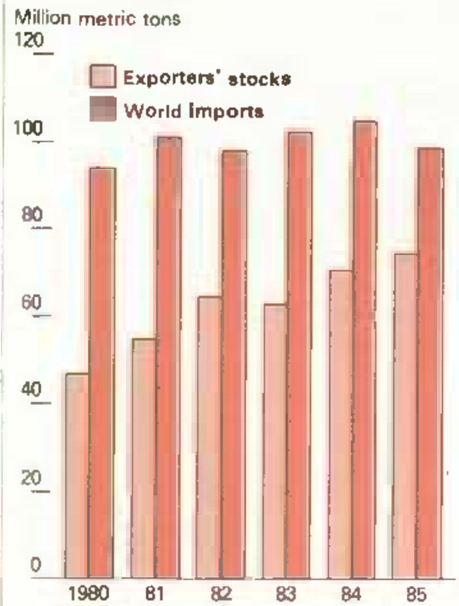
While global wheat imports grew 5.5 percent annually from 1970 through 1980, import growth in recent years has slowed considerably. During the 1980's, imports have averaged 100 million tons a year, ranging from 94.1 million in 1980/81 to 105.6 million in 1984/85. The forecast for 1985/86 is 97.5 million.

Consumption-Production Gap Narrows

During the import growth period of 1970-80, consumption in foreign countries (excluding the USSR and China) exceeded production by an average of 20 million tons a year. However, the gap has narrowed recently to an average of 5 million tons a year. The United States has often been referred to as the world's residual wheat supplier, and this role has become more pronounced in recent years.

Wheat production among the major importers (including India) has increased from 229 million tons in 1980/81 to a forecast 265 million in 1985/86. China and India have made notable strides toward self-sufficiency in the 1980's. In both cases, U.S. wheat exports have been adversely affected.

Exporters' Stocks Grow, Imports Steady . . .



1985 forecast.

China's Import Needs Drop

China's agricultural advances in the 1980's, especially for wheat, have been phenomenal. Since 1980, China's wheat production has jumped over 60 percent, from 55 million tons to a forecast 90 million tons in 1985/86. In 1979-80, China introduced the household contract system, which tied farmers' household incomes to their output. The Government has also raised prices paid for crops, and the average price received by a grain farmer has risen over 50 percent since 1978. In addition, supplies of fertilizer have doubled over this period.

For the first time, farmers could enter into 15-year land contracts, which provided incentives for land improvement. China's farmers reacted swiftly to these policy changes. Current wheat yields are 60 percent greater than during 1977-79, prior to the introduction of the new system.

As China's production has expanded, its wheat imports have fallen steadily from 13.7 million tons in 1980 to a forecast 7.0 million tons in 1985/86. While China's Government planners correctly anticipated larger wheat demand to accompany the spurt in national income, they underestimated the speed at which their domestic productivity would grow. During the past 5 years, China signed long-term agreements to purchase wheat from all five major exporters, but as production grew, failed to meet the minimum purchase in at least one recent year with each exporter.

China's 50-percent reduction in overall import demand has been the major factor affecting its wheat purchases from the United States. The U.S. market share of China's wheat imports has also fallen from nearly two-thirds in 1980/81 to one-third in 1984/85. The actual quantity shipped has dropped from 8.5 million tons to 2.4 million. Lower competitor prices, China's desire to diversify among suppliers, and textile trade disputes have hurt the U.S. market share.

India Becomes Self-Sufficient

India has also made outstanding progress in the 1980's as a wheat producer. Its success did not come as suddenly as China's, but rather as the culmination of a long-term goal of food

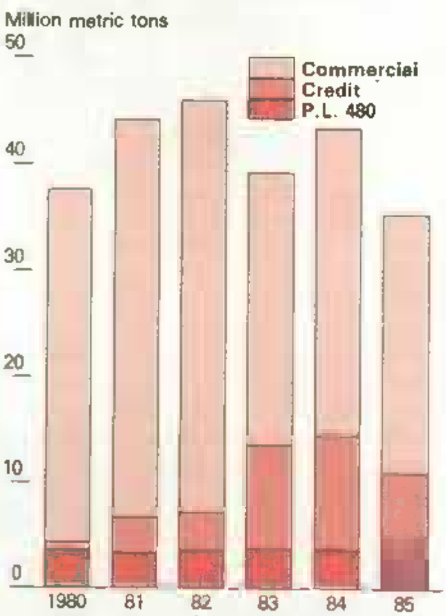
grain self-sufficiency. During the past two decades, India's wheat output has quadrupled. Yields and area planted have nearly doubled.

The Government of India has continued to promote wheat production in the 1980's by boosting wheat procurement (support) prices and, during the last 2 years, by lowering fertilizer prices. Improved yields in recent years are also the result of steady gains in irrigated area, and the increased use of high-yielding varieties in regions beyond the Punjab, India's traditional breadbasket.

India's wheat imports have fluctuated to a greater extent than its wheat output, because wheat is often imported to compensate for weather-induced shortfalls in rice and coarse grain production—crops not as heavily irrigated. Recently, India's wheat trade has fluctuated from net exports of about 400,000 tons a year during 1977-79 to net imports of 2.8 million tons a year during 1981-83. Despite variability, India's net imports have declined since the 1960's, when they were the world's largest wheat importer.

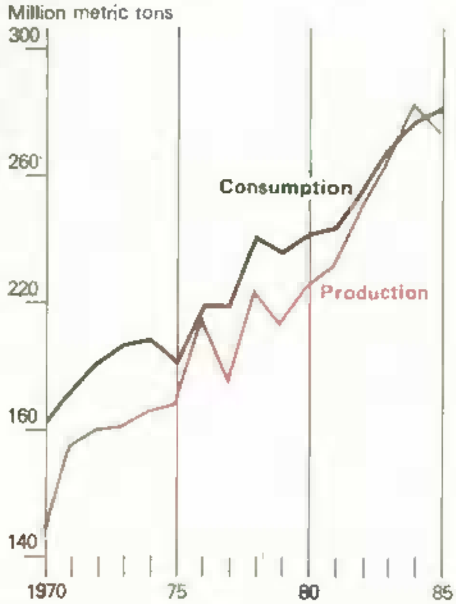
Bumper crops in 1984 and 1985 have again thrust India back into the exporter role. Government wheat stocks are estimated at 21 million tons as of July 1, 1985, about 7 million above target, and total wheat and rice stocks of 28-29 million tons exceed covered storage capacity by 8-9 million tons.

. . . and U.S. Wheat Exports Drop



1985 forecast.

Foreign* Self-sufficiency Lessens U.S. Role



*Excluding USSR and China. 1985 forecast.

In addition to measures to boost domestic consumption, the Indian Government will try to export at least 2 million tons of surplus wheat, if buyers can be found. Quality problems and a domestic support price of about $125 a ton hamper efforts to make export sales in a highly competitive market. It is anticipated that India will export 1-2 million tons in 1985/86, with some wheat moving to the Soviet Union under a 500,000-ton barter sale made in late 1984.

Additional sales to the Soviet Union are possible, a potential barter agreement for Pakistani cotton has been discussed, and other South Asian buyers will surely be approached. India has progressed from importing an average 2 million tons from the United States in 1981-83 to becoming an export competitor in the Soviet and South Asian markets.

With the cumulation of such large stocks, it is unlikely that India will need to import wheat for several years, even with a severe drought. Because record harvests are also projected for 1985/86, stocks are likely to increase further, assuming normal weather. The current surplus indicates that India's long-awaited self-sufficiency in food grains may have arrived.

Soviet import demand grew rapidly in the late 1970's. Except for an estimated 27.0 million tons in 1984/85, the Soviets have imported around 20 million tons a year since 1981/82. The 1984/85 Soviet wheat harvest was estimated at 73.0 million tons, and in 20 years has fallen below that only in 1965/66 and 1975/76.

Import demand for the rest of the world (excluding China, India, and the USSR) has grown about 2 million tons a year (or roughly 3 percent) from 1980 through the present. Much of this growth has been through the increased use of concessional sales and attractive credit financing to developing nations short on foreign exchange.

Exporters' Stocks Increase Sharply

The combined effects of declining imports by China and India, generally stable imports by the USSR, and gradually increasing imports by the rest of the world have steadied world import levels in the 1980's. World import demand is no longer rising 5 million tons a year as it did from 1975 to 1980, putting a strain on the world's major suppliers of wheat.

The exportable supplies of the five major exporters—the United States, Canada, the EC, Australia, and Argentina—have increased dramatically since 1980. Ending stocks of the major exporters have grown nearly 60 percent, from 48 million tons in 1980/81 to an expected 76 million tons in 1985/86. The United States normally holds a majority of these stocks and is expected to end the 1985/86 year with 41.6 million tons.

EC stocks almost doubled in 1984/85 to 15.9 million, and although production may decline 6 million tons in 1985/86, EC stocks may continue to rise. A surprisingly strong 1984/85 export season after a drought-reduced harvest will leave Canadian stocks at their lowest level in over 25 years. Argentina has limited storage space and must export each year's wheat crop to make room for the coarse grain and oilseed

harvests. As a percentage of world trade, exporters' stocks have increased from 50 percent in 1980/81 to an anticipated 78 percent in 1985/86. These stocks contribute to falling prices and intensify competition.

U.S. Loses Share to Competitors
The U.S. market share rose in the late 1970's and averaged 45 percent from 1979/80-1981/82. With strong commercial demand from China and the USSR and very competitive export prices, U.S. wheat exports reached 48.8 million tons—a 48-percent share in 1981/82. U.S. exports have declined in recent years and are expected to capture only 33 percent of the market in 1985/86. Meanwhile, market shares for the four major competitors have increased, particularly for Argentina and Australia.

Argentina has doubled its market share from 4 percent in 1979/80-1981/82 to an average of 8 percent in the past 3 years by expanding wheat production onto former pasture land. Because it is a low-cost producer with inadequate storage and severe foreign exchange shortages, Argentina must sell its surplus wheat each year at whatever price the market will bear.

From 1980 to 1982, Argentine export prices were consistently above U.S. Gulf prices. However, during the past two years prices have returned to a more normal relationship, with Argentine export prices averaging $19 below U.S. Gulf prices. The margin widened to $40 a ton during the first quarter of 1985.

Australia's market share has grown from 12 percent in 1979/80-1982/83 to 15 percent in 1984/85-1985/86. Australia's area planted to wheat has increased over 10 percent since 1980. Some improved pasture lands were moved into wheat production because returns to wheat have been greater than the returns to livestock since the late 1970's. The Australian Wheat Board sets export prices very close to those in the United States, and it has successfully undercut U.S. prices to make large commercial sales.

U.S. Commercial Sales Down Sharper Than Total Sales
The composition of U.S. wheat exports has changed in the 1980's. While total exports have declined about 10 million tons since fiscal 1982, commercial exports have fallen even further. U.S. commercial exports dropped 13.2 million tons—from 38.7 million in 1982 to 25.5 million in 1983. Commercial exports rebounded somewhat in 1984 to 28.9 million due to larger Soviet purchases, but commercial exports in 1985 are expected to fall below 1983 levels.

Sharp declines in the import needs of China and India, decreases in U.S. exports to the USSR, and aggressive competitor pricing account for the loss in commercial sales. U.S. exports in 1983 were bolstered somewhat by a near doubling of sales under GSM financing and the introduction of the blended credit program through which 2.6 million tons were exported. From 1980 to 1984, the proportion of exports assisted by the Government through credit programs and P.L. 480 increased from 11 to 34 percent.

U.S. March-May Exports Lowest in a Decade
U.S. wheat exports and sales thus far in fiscal year 1985 have been particularly slow. Overall sales and shipments are lower than in 1984, and exports from March through May were the lowest in over a decade. Commercial exports will likely decline in fiscal 1985, in part because a larger Soviet crop is anticipated and their import needs will be smaller. However, the USSR is committed to import at least 4 million tons of wheat based on the long-term trade agreement.

Credit sales also may be lower than in 1984 because the blended-credit program was suspended in February. The program was suspended after a U.S. district court ruled the program is subject to cargo preference provisions.

Cargo preference provisions require U.S. vessels be used for half of the program's shipments. This adds greatly to shipping costs. Although Congress may act to exempt the blended-credit program from cargo preference, it is unlikely that last year's 2.7 million tons of blended-credit exports can be equaled by the end of September 1985. Also the GSM-102 credit program has not been attractive enough to keep importers such as Turkey from buying Argentine and EC wheat at highly discounted prices.

What Does the Future Hold?
Changes in the import demand for wheat in China and India have contributed to the decline in U.S. wheat exports and to the leveling off of world wheat imports since 1980. Together, both nations accounted for an average 9 million tons of U.S. commercial exports each year during 1980/81-1982/83.

However, in 1984/85, China purchased only 2.4 million tons from the United States. It may purchase even less in 1985/86 because the current wheat harvest is forecast to be another record. India did not purchase wheat commercially in 1984/85 and may soon be making sales that could displace U.S. exports to South Asia and the USSR.

Given their domestic advances in food grain production, China and India are not likely in the short-term to revert to regularly importing 15 million tons of wheat each year as they did in 1981/82 and 1982/83. As long as these Governments support the returns to farmers, wheat production will remain strong. External economic factors and competitor trade practices may change, but the import demand of China and India will be most influenced by their own internal policies and producer incentives.

The import demand for the rest of the world is growing gradually, but this growth is not coming to the United States as increased commercial wheat sales. Many countries do respond, however, to credit programs and attractive incentives when exporters offer them. To compete in the market at a time of worldwide surpluses, the United States will have to become more aggressive.

The Export Enhancement Program announced in May is designed to regain U.S. market share in countries where subsidized competitor exports have made inroads. Two initiatives have been announced already for wheat and wheat flour. The first involves potential additional exports of up to 1 million tons of non-durum wheat to Algeria, while the second involves up to 600,000 tons of wheat flour to Egypt. The extent and timing of further initiatives for wheat remain undetermined. [*Scott Reynolds (202) 786-1691*]

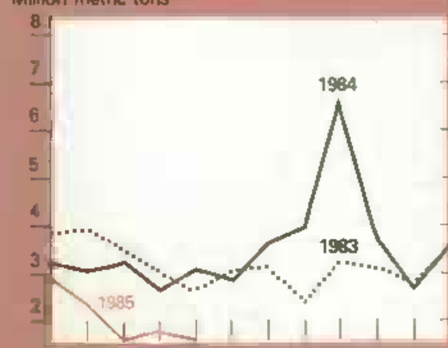
U.S. Agricultural Trade Indicators

U.S. agricultural trade balance

$ Billion

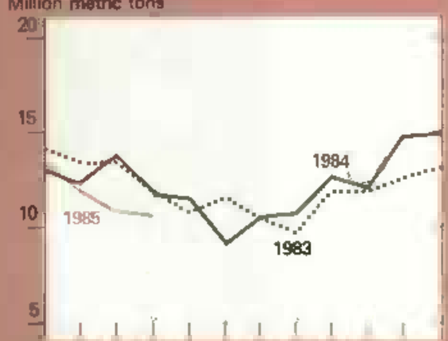
U.S. wheat exports

Million metric tons



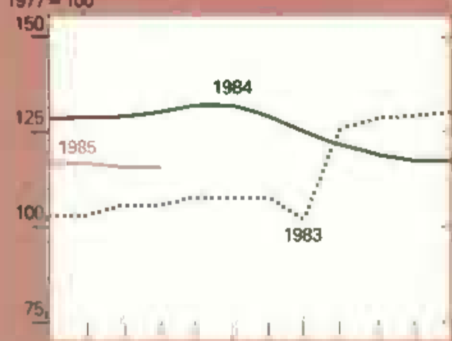
Export volume

Million metric tons



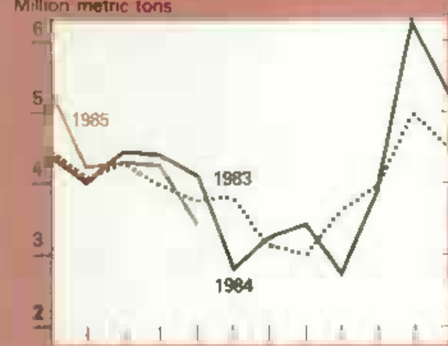
Export prices

1977 = 100



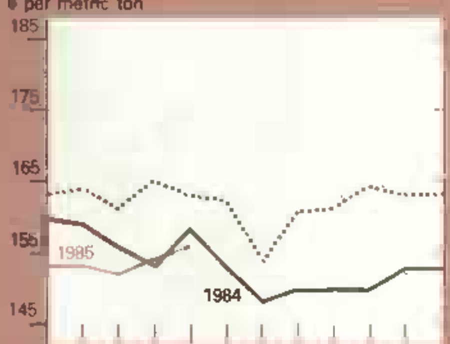
U.S. corn exports

Million metric tons



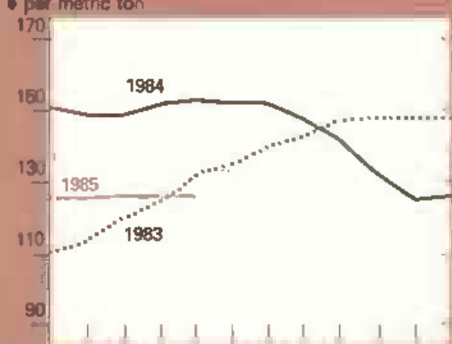
Wheat export unit value*

$ per metric ton



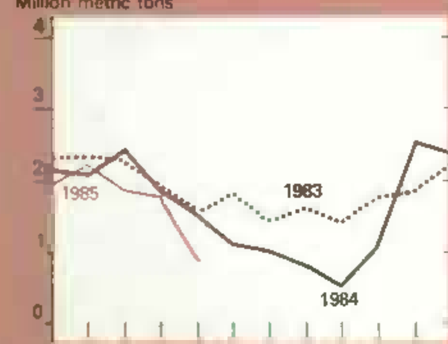
Corn export unit value*

$ per metric ton



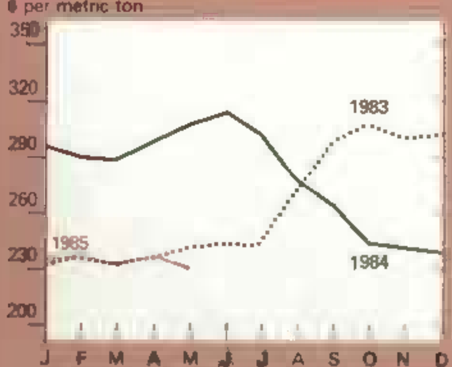
U.S. soybean exports

Million metric tons



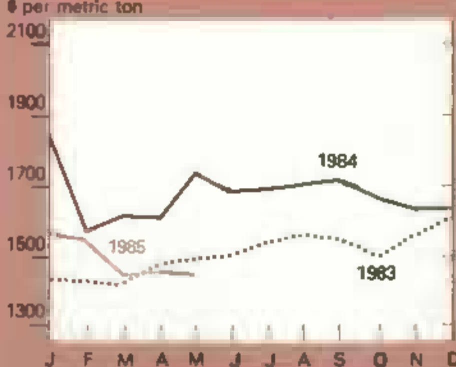
Soybeans export unit value*

$ per metric ton



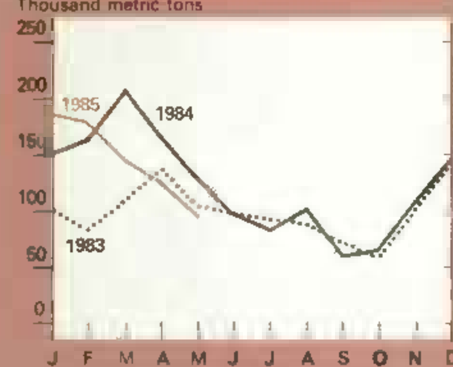
Cotton export unit value*

$ per metric ton



U.S. cotton exports

Thousand metric tons



*Value of U.S. exports divided by volume exported. Data on the wheat, corn, soybean, and cotton exchange rates are now included in the U.S. Agricultural Trade tables at the back of this issue.

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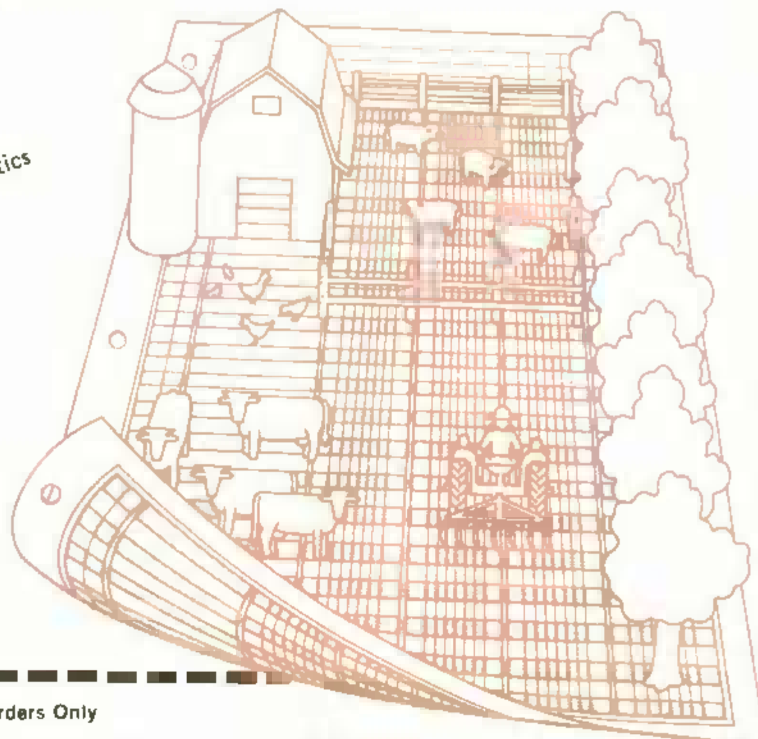

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Weak Land Values Mirror Farm Economy

Farmland Values Continue To Drop
Average farmland values dropped 12 percent from April 1984 to April 1985. The index of U.S. farmland value was 128 (1977=100), down from 146 in 1984. When this 12-percent decrease in nominal value is coupled with the 4-percent increase in the Consumer Price Index (CPI), it implies a 16-percent fall in real terms.

The decline was widespread, affecting all the contiguous States, except New England, New Jersey, and Texas (see map). Losses were largest in the Corn Belt, Lake States, and Northern Plains, where values decreased 20 percent or more in all States except Wisconsin, Michigan, and North Dakota.

The average value of an acre of farmland for April 1985 is estimated to be $679, which is more than 17 percent under the peak of $823 reached in 1982. Wide differences do exist within and between States. For some States, particularly in the Corn Belt, values have declined to 1976-77 levels.

In the Midwest the large losses in value on cash grain farms can be associated with the drop in farm income that accompanied declining exports and falling grain prices. Values increased rapidly in the 1970's in much of the Midwest as grain prices rose, indicating a close relationship between grain prices and land values in this area.

The continuing increase in land value in Texas stands out since it is the only State outside the Northeast that escaped the downturn. Values have declined in some parts of Texas where there are few land-use alternatives to agriculture, and in areas where irrigation cutbacks have occurred because of falling groundwater levels and high pumping costs. Declines in these areas have been offset by continuing demand for small farms and ranches by buyers with off-farm income and by the influence of expanding residential and recreational use of land. Texas also had much lower value growth during the 1970's than most other States.

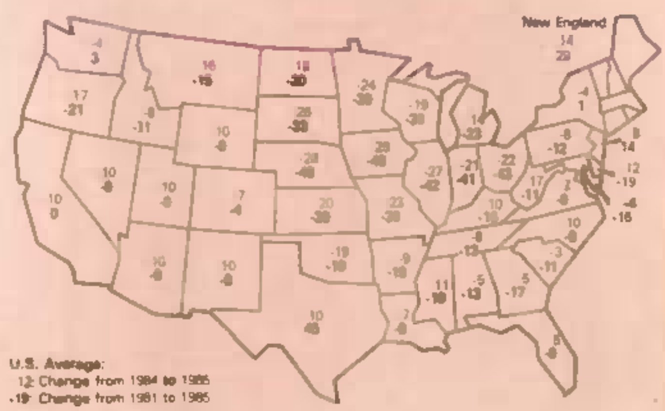
Iowa and Nebraska suffered the largest losses. Iowa values fell 29 percent, after dropping 11 percent last year, while Nebraska's dropped 28 percent, following a 12-percent loss in 1984. Values have fallen more than 40 percent since 1981 in Illinois, Indiana, and Ohio as well as Iowa and Nebraska.

USDA, Federal Reserve, and Universities Concur
Surveys by land grant universities, banks, and other sources provide further evidence of the decline in values, particularly in the Midwest. The universities of Minnesota, Nebraska, Iowa State, and North Dakota State all reported comparable decreases in land values in their most recent surveys, and the Federal Reserve Banks of Chicago and Kansas City also reported decreases in their quarterly surveys of bankers. A January 1985 survey by *Landowner Newsletter* reported large losses during 1984 in the Midwest.

USDA estimated the U.S. average value for 1985 at $679 an acre. The average includes a wide variety of productivity and use classes, from semiarid rangeland to irrigated land devoted to high-value specialty crops. State average values range from under $300 in some of the Mountain States to above $3,000 in some New England States and New Jersey. Wide value differences also occur in States that have both rangeland and land in high-value farm production or have strong nonagricultural demands.

Causes of Land Value Adjustment
The roots of the present difficulties in the land market go back to the early 1970's. Strong growth in demand for farm products, combined with increasingly attractive support programs near the end of the decade, raised producer returns. Higher returns translated into rising farmland values, particularly cropland values. High inflation and low, often negative, real interest rates in the general economy reinforced upward pressure on farmland values. The boom in land prices also was aided by strong demands for land as an inflation hedge and tax shelter.

U.S. Farmland Values Slide



Based on index of average value per acre, 1977=100.

These same factors worked in reverse in the 1980's. Producer returns declined as demand for U.S. products here and abroad weakened, stocks increased, and nominal commodity support levels were eventually frozen. A sharp drop in the inflation rate, combined with high real interest rates, reinforced the downward pressure on land values. Declining farm incomes led to cash flow problems for many farm operators, especially those who had used debt to finance purchases of equipment and land at near peak prices. The decline in land values since 1981 reflects a fundamental adjustment to lower expectations of future earnings.

Pessimistic Outlook Fuels Declines
The 9-percent decline in land values between 1981 and 1984 reflects fundamental adjustments in the land market as it acts to bring land prices in line with current expectations and market conditions. The 12-percent decline in aggregate values between 1984 and 1985 is part of that process, but the current outlook for land prices is pessimistic because of

- uncertainty about the 1985 farm bill,
- excess production capacity,
- the continued decline in farm exports, and
- expectations of continued high real interest rates.

Prospects for future land prices depend on developments in the general economy and in the agricultural sector.

Financial Stress Behind Declines
Declining land values are a major symptom of the widespread financial stress in agriculture. Land accounts for about three-fourths of total farm assets.

Financial stress varies among farmers. Farmers who purchased land near the peak with low down payments and high interest rates have seen their equity shrink and in some cases disappear. Farmers who borrowed against the increased value of their land may have endangered their equity on land acquired in earlier years.

The decline in farmland values has had a serious affect on rural communities and farm-related businesses like input suppliers and farm lenders. The failure rate of agricultural banks has risen and more are classified as problem banks. The Farm Credit System has been under stress because some production credit associations have failed and because Federal land bank associations face increasing problem loans. Many borrowers have not had the cash to make loan payments.

Input suppliers also have suffered losses when farmers are unable to pay for goods purchased on credit. Lower land values have created problems for rural communities where farmland is a major element of the property tax base.

Prospects for Land Prices
The experiences of the past decade underline (a) the role of expectations of future land earnings on land prices and (b) the interdependencies between the agricultural sector and developments in the rest of the economy.

Falling interest rates would relieve some of the financial problems of the sector and sustain higher land values at any given level of land earnings. Improvements in the prospects for land earnings would contribute to stable or rising land values. Farmland values could stabilize near current levels if growth in demand for farm products maintains or increases commodity prices or if price and income supports are continued at current levels. But, lower commodity prices, reduced support levels, or higher real interest rates could lead to further declines in land values.

For Some, Production Costs Are Lowered
Will falling land values help lower the cost of production? The answer is a qualified "Yes." Lower land prices will help lower the costs of production for some producers, but not very rapidly. This is true for several reasons. First, a substantial number of farm operators and farm landlords have either no or relatively small debts on their land. From an accounting standpoint, falling land prices will reduce the wealth of these farms, but will have no direct effect on their costs of doing business. However, it may influence their credit worthiness and borrowing capacity.

Even for more heavily indebted landowners, interest payments on landed-debt are long-term contractual obligations. For these operators, falling land prices will not lower their costs. Direct beneficiaries of falling land values are those individuals who purchase land at the lower prices, but only 2 to 4 percent of farmland is sold in a normal year. Also, lower cash rents will lower cost of production for those farmers operating with cash leases.

Land Values and Cash Rents
In 1985, cash rents for cropland have declined in 23 of the 28 States where estimates were available in 1984. However, in 4 of those States, the change was less than a dollar an acre.

Because farmland values dropped more than rents in most States, the ratio of rents to values increased in all but seven, mostly Northeastern States. Rent-to-value ratios increased substantially throughout the Corn Belt, Lake States, and Dakotas.

Some of the largest declines occurred in Iowa and Nebraska, where land values dropped most. Iowa rents fell 12 percent, from $117 in 1984 to $103 in 1985, compared with the 29-percent decrease in land value. In Nebraska, irrigated cropland rented for $114 in 1984 and $92 in 1985 and dry cropland rented for $57 and $47. These decreases of 20 and 18 percent are considerably less than the 28 percent fall in land values.

The trend in pasture rents was not as well defined as for cropland. Rents for pasture increased in 9 of the 22 States.

In the long run, rents and values move in tandem. In the Corn Belt, for example, values and rents rose gradually during 1950 to 1974, but the relationship between the two remained stable. Between 1974 and 1981, values rose more rapidly than rents. Rents and values appear to be returning to the historical relationship they had before 1974. [*Bill Heneberry (202) 786-1430*]

Sources of Data on Farmland Value

ERS estimates the per-acre value of farmland annually by surveying a random sample of farmers. Farmers are asked to estimate the value of cropland, pasture, and woodland in their area. In States where irrigation is important, the value of irrigated land is also requested.

Farmers' estimates are summarized by crop reporting districts, district averages are combined to make State averages, and these are aggregated to give an average for the 48 contiguous States. An index number and a dollar-per-acre value are published. Values are compared with the previous year to determine the percentage change in value and the index of value. The current base year for the index is 1977.

Dollar values of farmland are based on the U.S. Census of Agriculture. The census asks farmers to estimate their farm's market value, as well as the number of acres they operate. Average per-acre values by county and State are estimated from these data. Because census data are not available every year, dollar values from the most recent census are projected with the change in the index of farmland values.

Dollar values are revised periodically as new census data become available. In this year's report, values from 1980-84 were revised to be consistent with the 1982 census. In some States, particularly those where values dropped rapidly after 1981, the revisions result in substantial changes in per-acre value. These changes affect the value of land and buildings per farm.

Information on farmland transfers is obtained from a survey of realtors, lenders, appraisers, farm managers, and others involved in the land market. Respondents to this survey are asked to report information on recent sales of land in their area, including financial aspects of the sale, characteristics of buyers and sellers, and expected use of the land. Data from this survey are summarized by region. [*Bill Heneberry (202) 786-1430*]

Tax Reform: Its Impact on Agriculture

Growing dissatisfaction with the Federal income tax system has led to a call for reform. Reforms have been laid out in proposals by Bradley-Gephart, Kemp-Kasten, and more recently, the Reagan Administration.

While specifics differ in each, all three contain a common theme. Each would reduce marginal tax rates and broaden the income tax base. To do this, they would eliminate many of the special provisions that have crept into the system over the years.

Agriculture, like other sectors of the economy, benefits from a variety of these special provisions. The impact of tax reform on agriculture would vary, depending upon which exclusions, deductions, and credits would be eliminated or modified and the extent to which marginal tax rates would be reduced.

We will focus here on the Administration's proposal, because it is the one likely to receive the most attention over the next several months. It contains several significant features that affect agriculture, including

- reductions in individual and corporate tax rates
- modifications in investment tax credit and depreciation policies
- changes in the current deductibility of various development costs

- restrictions on property eligible for capital gains treatment
- limits on the use of the cash method of accounting.

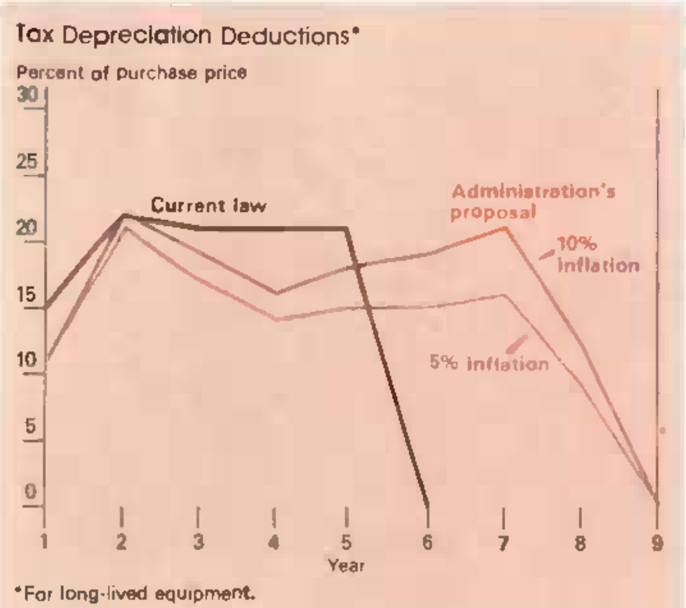
Individual Tax Rates and Deductions
The current tax system contains 14 brackets with tax rates ranging from 11 to 50 percent. The personal exemption is now $1,040 and the standard deduction is $3,540 on a joint tax return. Rate brackets, personal exemptions, and standard deductions are indexed for inflation. The proposed tax system would have only three tax brackets: 15, 25, and 35 percent. The personal exemption would be increased to $2,000, and the standard deduction to $4,000 on a joint return. All three would continue to be indexed for inflation.

To broaden the income tax base, some deductions would be eliminated and some fringe benefits taxed. The main nonbusiness deductions include the two-earner deduction for married couples and the itemized deduction for State and local taxes. The taxed fringe benefits include a portion of health and life insurance provided by an employer.

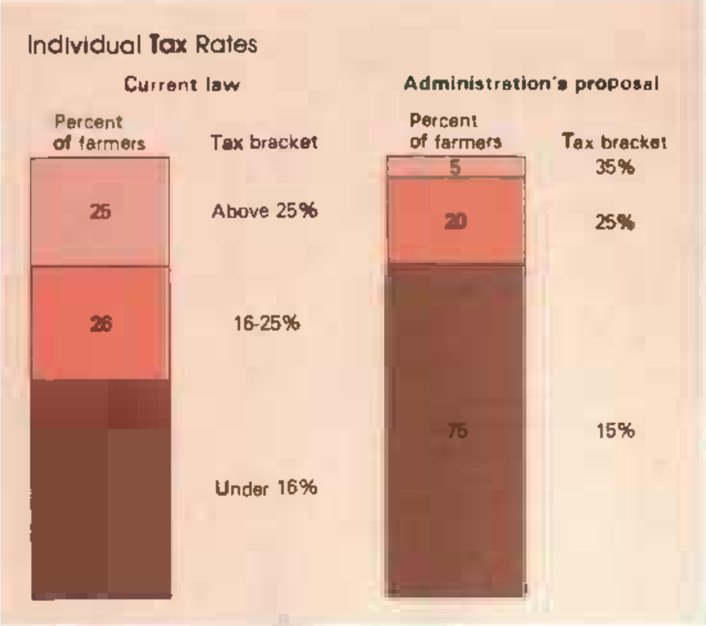
Now, more than half of all farmers are in tax brackets over 15 percent. Under the proposal, three out of every four farmers would be in the new 15-percent tax bracket. Less than 5 percent of all farmers would be in the top 35-percent bracket.

Taxes for most farmers would be about the same or less. The higher personal exemptions, standard deductions, and lower tax rates would offset losing some deductions and credits. In fact, the increase in the personal exemption to $2,000 will reduce farmer's taxable income about $8.4 billion. This would reduce farm taxes about $1.3 billion. The increase in the standard deduction would result in an additional tax reduction of about $100 million.

Some farmers, particularly livestock farmers, would face higher Federal income taxes. Also, since net farm profit is the base on which Social Security (self-employment) taxes are levied, many farmers would pay higher Social Security taxes initially due to the expansion of the income tax base. However, these tax liabilities should decrease as the indexing of depreciation deductions is reflected in tax returns over time.



*For long-lived equipment.

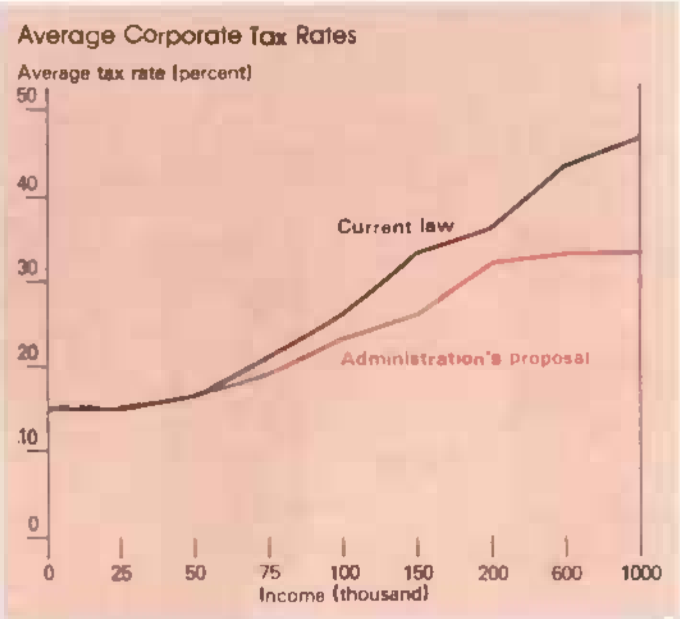


Corporate Tax Rates
Between 1974 and 1982, the number of corporate farms increased from 28,442 to 59,792. This growth came almost entirely from an increase in family and other closely held farming corporations. Much of the growth in family farm corporations can be attributed to Federal tax policies. For example, lower and less progressive tax rates than the individual rate have encouraged family farms to incorporate.

Under the Administration's tax proposal, the top corporate tax rate would be reduced from 46 to 33 percent. The graduated corporate tax rate structure would be retained for corporations with taxable incomes of $360,000 or less. Thus, most small family farm corporations would continue to benefit. The tax rate on the first $50,000 of taxable income woud remain the same. However, between $50,000 and $75,000, the tax rate would drop from 30 to 25 percent, and between $75,000 and $100,000, it would fall from 40 to 33 percent. This means the average tax rate on the first $100,000 of taxable corporate income would fall from about 26 to 23 percent.

Depreciation and the Investment Tax Credit
The Accelerated Cost Recovery System (ACRS) enacted in 1981 allows depreciable assets to be written off at accelerated rates over periods of 3 to 18 years, depending upon asset type. Most farm assets can be written off over 5 years. Tax depreciation deductions are based on the historical cost of assets and, thus, are not indexed for inflation. Each taxpayer may immediately deduct up to $5,000 of investment each year. This is scheduled to increase to $10,000 by 1989.

Most depreciable farm property also qualifies for the 6- or 10-percent investment tax credit. Qualifying farm property includes machinery, equipment, livestock purchased for dairy, draft, breeding, or sporting purposes, storage facilities, and single-purpose agricultural structures. For farmers and others who plant trees for timber, up to $10,000 a



year of reforestation expenditures are eligible for the investment tax credit. These may also be amortized over 7 years.

Now, if the full tax credit is claimed, the basis for depreciation (cost of the asset) must be reduced by 50 percent of the investment tax credit. Alternatively, the taxpayer may reduce the tax credit 2 percentage points, resulting in either a 4- or 8-percent credit. For example, the purchaser of a farm tractor may claim the full 10-percent tax credit and depreciate only 95 percent of the tractor's cost, or take an 8-percent tax credit and depreciate its full cost.

The Administration proposes the Capital Cost Recovery System (CCRS), which would divide all assets into six classes representing varying rates of economic depreciation. Tax depreciation deductions, computed with the declining-balance method,[1] would be indexed for inflation. The tax depreciation rates would range from 55 percent a year for Class 1 property to 4 percent a year for Class 6 property.

Timber and other depletable assets would not be subject to CCRS. They would be indexed for inflation. How? The cost depletion basis used to determine taxable income would be adjusted upon the sale of the asset.

The Administration's proposal would eliminate the investment tax credit. The current option to expense up to $5,000 would be retained, but the scheduled increase to $10,000 would be repealed. Amortizing of reforestation expenditures would also be repealed. By allowing a farmer to expense up to $5,000 a year, as much as 25 percent of his total farm investment could be written off in the first year.

[1]Method of computing depreciation allowance by multiplying a constant rate (or percent) by the remaining (undepreciated) cost of the asset each year.

With current inflation, effective tax rates[2] for investments in most types of depreciable farm capital are well below statutory rates. In some cases they are actually negative. Eliminating the investment tax credit and lengthening the write-off periods would increase these effective tax rates for most investors in farm machinery and equipment. Effective tax rates for investments in some farm structures would fall.

Preliminary estimates indicate that the after-tax cost of farm equipment and structures could rise an average of 7.5 percent. At current prices, overall farm investment may decline slightly.

The proposed indexing of tax depreciation would stop effective tax rates from fluctuating with the inflation rate. At high inflation, investment incentives under ACRS decline. Under CCRS, the incentive to invest would remain constant.

Indexing also eliminates the need to "front load" deductions. Front loaded deductions provide a substantial portion of total tax incentives for investment in the first or second year of the investment. This occurs now because of the investment tax credit and accelerated depreciation. Front loading is essential to many tax shelter investments.

The proposal also treats various types of farm and nonfarm capital more neutrally than the current system. This should lead to a more efficient use of capital in agriculture and in the economy as a whole.

Capital Gains

Property used for business or held as an investment generally qualifies for capital gains treatment. Now, only 40 percent of long-term capital gains are included in income.

Capital Cost Recovery System (CCRS)

CCRS Class	Rate of depreciation *	Asset	Years to write-off
1	55%	Autos, light trucks & breeding hogs	4
2	44%	Other farm trucks	5
3	33%	Farm tractors	6
4	22%	All other depreciable farm property including breeding & dairy cattle	7
5	17%	No farm assets in this class	10
6	4%	General purpose farm structures	28

* Percentage applies each year to remaining balance.

[2]Percentage amount by which the real rate of return on an investment is reduced by taxes.

So with the current top marginal tax rate at 50 percent, the maximum tax rate on long-term capital gains is 20 percent (40-percent taxable times 50-percent tax rate).

As proposed, the exclusion for long-term capital gains would be reduced from 60 to 50 percent. Thus, for an investor in the proposed top 35-percent tax bracket, the tax rate on long-term capital gains would be reduced to 17.5 percent (50 percent taxable times 35-percent tax rate). Most farmers would be in the new 15-percent tax bracket and therefore pay a tax on long-term capital gains of only 7.5 percent.

The Administration proposes that beginning in 1991 taxpayers could opt to index their capital assets for inflation. However, any gain must then be fully included in income.

Preferential tax treatment under the Administration's proposal would only apply to investment assets. Thus, profits from the sale of depreciable property and livestock held for dairy, draft, breeding, or sporting purposes would be taxed as ordinary income. In contrast, profits from farmland would continue to qualify for long-term capital gains treatment.

Timber held as inventory for sale to customers or for use in a trade or business would not be eligible for long-term capital gains. Profits would be treated as capital gains only if such timber satisfied the definition of a capital asset in the hands of a particular taxpayer. The proposal would continue to qualify for capital gains timber held for investment and sold for a lump sum, or timber held by an owner who makes infrequent sales and is not in the timber business.

Preferential treatment for noninvestment assets, which currently are eligible for capital gains, would be repealed over 3 years. Corporations would be taxed at 30 percent in 1986. The rate would be increased 1 percent in 1987, 1988, and 1989. For individuals, the exclusion for capital gains would be reduced to 30 percent in 1986, 20 percent in 1987, 10 percent in 1988, and fully taxed thereafter.

Eliminating this provision would reduce existing incentives to adopt management practices that maximize the number of animals qualifying for capital gains. Although this would raise the tax burden on livestock farmers, reduced tax rates and increased personal exemptions could offset it for some.

Cash Accounting
Since 1915, farmers have been able to use the cash method of accounting for Federal income taxes. The continuation of this privilege has been justified on the grounds that the training or professional assistance needed to maintain the more complicated bookkeeping systems necessary for accrual accounting would impose a substantial burden on many farmers. Based on 1982 Federal income tax returns, about 98 percent of farm sole proprietors use the cash method, as well as many farm corporations and partnerships.

Under cash accounting, expenses are deducted in the year they are paid, income is recognized in the year it is received, and changes in the value of inventories are ignored. This greatly simplifies recordkeeping. However, it permits investors to mismatch income and associated expenses by generating deductions in the early years of an investment while delaying the recognition of income by building inventories that are not taxed until they are sold.

Because of the abuses of cash accounting by tax-shelter investors, Congress has attempted to limit its application. Some nonfamily corporations with gross receipts in excess of $1 million are prohibited from using cash accounting. In addition, farm syndicates and cash basis tax shelters are required to claim tax deductions for feed, seed, fertilizer, and similar inputs in the years they are used, regardless of the years in which they were purchased.

Under the Administration's proposal, cash accounting would be restricted to farms with annual gross receipts of $5 million or less. This would affect very few farms—only about 250 sole proprietorships in 1982. According to the 1982 Census of Agriculture, about 1,000 farm corporations and partnerships would have also been required to switch.

Development Expenditures
Farmers are now allowed to claim immediate tax deductions for expenditures associated with the development of certain capital assets. For example, the costs of raising dairy, draft, breeding, and sporting livestock to maturity and the costs of caring for new orchards and vineyards until they reach bearing age may be deducted in the tax year in which such expenses are paid. Most costs of producing timber, except for planting costs and cultural practices before the seedlings are established, are also currently deductible.

The expensing of development costs distorts or mismatches the expenses and income from the developed asset. This mismatching has been used to generate losses that can be written off against income from other sources. Thus, farm assets for which development expenses may be deducted have attracted tax-motivated investment.

Concern about how such tax-motivated investments affect production and price levels prompted Congress to place restrictions on the deductibility of some development expenses. Thus, developers of citrus and almond groves, farm syndicates and some farm corporations are required to capitalize some preproduction costs.

Under the Administration's proposal, preproductive expenditures for animals and plants with a development period of 2 years or longer would be capitalized. They would be added to the cost or basis of the assets and either claimed later as tax depreciation deductions or subtracted at the time of sale from the asset price to obtain the taxable gain.

The proposal would apply to development costs paid or incurred on or after January 1, 1986. However, production costs (including interest) attributable to timber that was planted before 1986 would be capitalized under a 10-year phase-in period. Thus, 10 percent of such costs paid or incurred in 1986 and 20 percent in 1987 would have to be capitalized until 100 percent was reached in 1995.

	Current law	Proposed law
Schedule F:		
Gross farm receipts		
Field crop sales	$72,072	$72,072
Cattle sales	4,400	4,400
Gross receipts	76,472	76,472
Farm deductions		
Production costs	56,138	56,138
Depreciation 1/	7,590	8,810
Expensing of capital	5,000	5,000
Total deductions	68,728	69,948
Net farm profit	7,744	6,524
Form 4797:		
Breeding cattle sales	600	2/ 600
Exclusion (60 percent)	360	--
Taxable gain	240	600
Form 1040:		
Wages	19,670	19,670
Interest income	4,000	4,000
Capital gains	240	0
Other farm income	0	600
Net farm profit	7,744	6,524
Total income	31,654	30,894
Spousal deduction	- 775	0
Adjusted gross income	30,879	30,894
Personal exemptions	- 4,320	- 8,000
Taxable income	26,559	22,894
Income tax 3/	3,743	2,834
Investment credit	- 617	0
Net income tax	3,126	2,834
Schedule SE:		
Self-employment income	7,744	6,524
Self-employment tax	953	802
Total Federal taxes	4,079	3,636

1/ Assumes tax plan is fully implemented. Investment of $13,810 in 1986 and same real level in previous years. 2/ Assume gain from cattle sales not part of net farm profit on schedule F. 3/ Assumes use of the standard deduction.

The after-tax costs of developing groves, orchards, and vineyards, raising most cattle, and producing timber would increase. New investments in these areas would be based more on prospective returns and less on tax benefits. As a consequence, tax shelter investments in the orchard and livestock sectors would be reduced.

Capitalized development costs would be indexed for inflation. Thus, the real value of these deductions would be maintained, reducing the tax increase that would occur as a result of this proposal. However, the requirement to capitalize development expenditures would impose a significant recordkeeping burden on many farmers.

Conservation and Land Clearing Expenditures

Under current law, farmers are permitted to claim immediate tax deductions for expenditures on soil and water conservation, land clearing, and fertilizer, lime, and other materials used to enrich or condition the soil. The soil and water conservation deduction is limited to 25 percent of the taxpayer's gross income from farming. The land clearing deduction cannot exceed the smaller of $5,000 or 25 percent of net taxable income from farming. Sole proprietors now claim about $200 million for soil and water conservation and land clearing expenditures each year.

The Administration's tax proposal would repeal these deductions. Without special provisions, some of these expenditures could be recovered over the period of benefit, but others could be recovered only when the land is sold. Fertilizer that is used up in producing an annual crop would continue to be fully deductible in the first year. However, those soil conditioners with more residual benefit would have to be amortized over the benefit period.

Eliminating the option to expense these investments would increase their after-tax cost and may cause some marginally profitable conservation or land clearing projects to be shelved. Without the current deduction for land clearing, incentives to bring additional marginal land into production would be reduced.

Interest Expenses

Interest paid or incurred on indebtedness is generally fully deductible under current law. However, interest on debt incurred to acquire investment property is limited to $10,000 over net investment income. The Administration's proposal reduces this limit to $5,000 over net investment income, and expands the definition of investment interest to include all interest other than that incurred in a trade or business (except home mortgage interest).

The deductibility of interest is an important feature of some limited partnership tax-shelter investments. Since the expanded definition of investment interest would include the interest paid by limited partners and those shareholders in subchapter S corporations[3] who do not actively participate in management, this provision would tend to reduce tax shelters in agriculture and in other sectors of the economy.

Farm owner-operators, most farm landlords, general partners, and the shareholder-managers of subchapter S corporations would not be affected by this proposal. They would be able to continue claiming tax deductions for all of their business interest.

Minimum Tax

Individuals and corporations who substantially reduce their taxable incomes through preferential tax provisions are required to add back some of the excluded income and then apply the applicable minimum tax rate. For corporations, the minimum tax rate is 15 percent on tax preference items that exceed the greater of $10,000 or the regular corporate income tax. For individuals, an alternative minimum tax of 20 percent is imposed on a taxpayer's "alternative

[3]A small business corporation which is treated as a sole proprietorship or partnership for Federal income tax purposes. Gains and losses are passed through to the shareholders instead of being taxed at the corporate level.

minimum taxable income" over $40,000. (Alternative minimum taxable income is essentially equal to the sum of adjusted gross income and tax preference items.) In recent years, some farmers who have sold farmland which had appreciated in value over the years have been subject to the minimum tax.

Under the Administration's proposal, an alternative minimum tax of 20 percent would apply to both individuals and corporations. Tax preference items up to $25,000 would be exempted under the proposal, and for farm sole proprietorships and partnerships would include the capital gains exclusion and depreciation deductions in excess of economic depreciation. For corporations, a portion of interest deductions would also be considered a tax preference item.

Because the tax reform proposal retains a few special provisions, a minimum tax is necessary to insure that everyone pays some tax. While the exemption level should exempt most farms from the minimum tax, some farms, particularly farm corporations with large amounts of debt-financed depreciable property, will be subject to the minimum tax.

Tax Exempt Bonds
Interest on bonds issued by State and local Governments for both public and private purposes are generally tax exempt. These include industrial development or "aggie bonds" used by many States to provide low interest farm loans. While these programs have grown considerably in recent years, they have been criticized as being inefficient and poorly targeted.

The Administration's proposal would repeal the tax-exempt status for all private bonds. This would include "aggie bonds." Eliminating the tax-exempt status for these bonds would increase the cost of funding State agricultural credit programs which use these bonds.

Alcohol Fuels Credit and Excise Tax Exemption
Under current law, a 60-cent-a-gallon income tax credit is provided for the production of alcohol used in a mixture with gasoline, diesel fuel or other special motor fuels. A 6-cent-a-gallon exemption from the excise tax on gasoline and diesel fuel is allowed for those fuels that contain at least 10 percent alcohol. However, if the production credit is claimed, the excise tax exemption is not allowed. Both the excise tax exemption and the production tax credit are scheduled to expire on December 31, 1992.

Under the proposal, both the production tax credit and the excise tax exemption would be terminated as of December 31, 1985. However, fuel produced in facilities completed prior to January 1, 1986, would continue to be eligible for the production tax credit until January 1, 1993. The production credit and excise tax exemption have encouraged the production of alcohol from corn and other grain products. Eliminating the tax credit and excise tax exemption may reduce the future demand for grain products used in alcohol production.

Macroeconomic and Aggregate Effects
The impact of the Administration's tax reform proposal on an individual farmer will differ with the commodity produced, the individual's tax bracket, the firm's financial structure, and many other factors. For most farmers, the tax burden would not change significantly. For these farmers the effects of the tax proposal on the farm sector as a whole are of equal or greater importance than the way it affects them individually.

These effects include the impact of tax policy changes on aggregate agricultural investment and production decisions, and the general tax policy changes as they affect the entire economy. Both have a significant impact on the economic well being of the farm sector.

The current tax system has encouraged the growth and expansion of existing farm businesses and has attracted tax-motivated investments into the sector. This has distorted relative input and commodity prices. Under the Administration's proposal, income earned within and outside of farming would be treated more equally. As a result, investment decisions would be based more on economic returns and less on tax benefits. This would lead to shifts in investment patterns within the sector, and would alter production and price levels for some commodities. The magnitude of these shifts will depend on how successfully the proposal neutralizes the current impacts of tax policy on capital flows both in and out of agriculture.

The effects of the tax proposal on the overall economy are expected to be relatively small. For example, GNP would be slightly higher by 1994 under the Administration's tax proposal than under the cnrrent system. Overall investment would be slightly reduced, and inflation and interest rates would only increase by a small amount. None of these are major impacts.

Item	Year 1	2	3	4	5
	Dollars per acre				
Land costs	2,000				
Planting costs	1,500				
Cultural costs	500	500	500	500	500
Selling price					8,000

Item	Current law	Proposed law
	Dollars per acre	
Deductible cultural costs	2,500	0
Tax rate	.50	.35
Tax savings	1,250	0
Selling price	8,000	8,000
Basis	3,500	6,000
Capital gain	4,500	2,000
Percent taxable	.40	.50
Taxable gain	1,800	1,000
Tax rate	.50	.35
Capital gains tax	900	350
Capital gains tax	900	350
Tax savings (cultural costs)	-1,250	-0
Net tax	-350	350
Gross profit	2,000	2,000
Income tax	+350	-350
After-tax profit	2,350	1,650

Provision	Current Law	Administration's Tax Reform Proposal
Expensing	Up to $5,000 of investment in qualifying depreciable property may be expensed; this is scheduled to increase to $10,000 by 1989	Option to expense up to $5,000 investment would be retained but the scheduled increase to $10,000 would be repealed
Capital gains	60-percent exclusion for long-term capital gains; 20-percent maximum tax rate for top 50-percent tax bracket	50-percent exclusion for long-term capital gains; 17.5-percent tax rate for top 35-percent tax bracket; option to index for inflation beginning in 1991, limited to investment assets
Interest	Nominal interest expenses fully deductible; interest on debt-financed investment property is limited to net investment income plus $10,000	Interest deductions limited to net investment income plus $5,000; investment interest definition expanded to include all interest other than that incurred in a trade or business (except home mortgage interest), including the interest paid by limited partners and those shareholders in S corporations who do not actively participate in management
Cash accounting	Most farmers eligible to use cash accounting; some farm corporations with gross receipts of over $1 million must use accrual accounting	Farms with gross receipts of $5 million or more required to use accrual method of accounting
Development expenditures	Farmers allowed to claim immediate tax deductions for expenditures associated with development of certain capital assets	Expenditures capitalized for animals and plants with a preproductive period 2 years or longer
Conservation and land clearing	Farmers permitted to claim immediate tax deductions for expenditures on soil and water conservation, land clearing, and for other expenditures used to enrich or condition soil	Deductions repealed for land clearing costs, soil and water conservation, and other materials used to enrich or condition soil
Individual tax rates	14 brackets with tax rates between 11 and 50 percent*	3 brackets with tax rates of 15, 25, and 35 percent[1]*
Standard deduction	$3,540 for joint return*	$4,000 for joint return*
Personal exemption	$1,040 personal exemption*	$2,000 personal exemption*
Corporate tax rates	Graduated up to 46 percent; average tax rate on first $100,000 is 26 percent	Graduated up to 33 percent; average tax rate on first $100,000 would be 23 percent
Investment tax credit	6 or 10 percent for most types of depreciable farm capital	Repealed
Depreciation	Depreciable assets may be written off over periods ranging from 3 to 18 years; most depreciable assets used in farming are written off over 5-years; depreciation deductions based on historical costs	Depreciable assets divided into six classes with tax depreciation rates ranging from 55 percent a year for class 1 property to 4 percent a year for class 6 property; most depreciable farm property would fall in class 4, written off at 22 percent over 7 years; depreciation deductions would be indexed for inflation

[1]The addition of an earned-income exclusion results in actual tax rates of approximately 19, 24, and 29 percent.
*Indexed for inflation.

Bradley-Gephardt	Kemp-Kasten	Provision
Option to expense up to $5,000 a year would be repealed	Option to expense up to $10,000 a year	Expensing
Taxed as ordinary income	40-percent exclusion for long-term capital gains; maximum tax rate of 17 percent; option to index the basis for inflation from the date of enactment	Capital gains
Interest deductible as under current law except for limited partnership and subchapter S corporate investments if the taxpayer is not involved in the management of the operation; such interest could be deducted only from net investment income	Interest income and expenses treated the same as under current law	Interest
Farms with annual gross receipts of $1 million or more required to use accrual method of accounting	Farms with annual gross receipts of $1 million or more required to use accrual method of accounting	Cash accounting
Farm syndicates and farms with annual gross receipts of $1 million or more must capitalize all preproductive expenditures	Farms syndicates and farms with annual gross receipts of $1 million or more must capitalize all preproductive expenditures	Development expenditures
Farm syndicates and farms with annual gross receipts of $1 million or more not permitted to expense land clearing costs, soil and water conservation, and other expenditures	Deductions for land clearning costs, soil and water conservation, and other expenditures repealed	Conservation and land clearing
Three brackets with tax rates of 14, 26, and 30 percent	24 percent flat tax rate*[1]	Individual tax rates
$6,000 for joint return	$3,300 for joint return*	Standard deduction
$1,600 personal exemption	$2,000 personal exemption*	Personal exemption
30 percent flat tax rate; average tax rate on first $100,000 would be 30 percent	Graduated up to 35 percent; average tax rate on first $100,000 would be 20 percent	Corporate tax rates
Repealed	Repealed	Investment tax credit
Six classes of property with write-off periods ranging from 4 to 40 years; most types of farm capital would be written off over 10 years; deductions would not be indexed for inflation	Five classes of property with write-off periods ranging from 4 to 25 years; most types of farm capital could be written off over 6 years; deductions would be indexed for inflation	Depreciation

Perhaps the most important change is that personal consumption expenditures would rise. This would increase domestic demand for farm products slightly. The impact on trade would be minimal, but imports would grow faster than exports. Therefore, while demand for U.S. farm products would be up, there would be a slight negative impact on our balance of trade in agricultural products.

Using these final demand estimates, GNP originating in agriculture is expected to grow somewhat faster under the Administration's proposal than under current law. Employment in agriculture would also be slightly higher. [*Ron Durst and Abby Fromang-Milon (202) 447-7383. Contributions were also made by Jim Hrubovcak, Ron Jeremias, John Kitchen, Ron Meekhof, Jim Miller, Leland Southard, Barbara Stucker, Dave Torgerson, and Glen Zepp*]

EFFECTS ON ORCHARD DEVELOPMENT

Orchard investors have several years of costs before their trees bear fruit. Under current law, land and planting costs are capitalized. But cultural costs are tax deductible in the years in which the expenditures are made. (Citrus and almond orchards are an exception. Under current law, cultural costs for establishing these must be capitalized.)

Federal taxes for dairy farm under current and proposed law

Schedule F:	Current law		Proposed law
Gross farm receipts			
Milk & other receipts	$148,861		$148,861
Dairy cow sales	--		--
Gross receipts	$148,861		$148,861
Farm deductions			
Production costs	$119,365	1/	$107,365
Depreciation 2/	16,909		20,383
Expensing of capital	--		5,000
Total deductions	$136,274		$132,748
Net farm profit	$ 12,587		$ 16,113
Form 4797:			
Dairy cow sales 3/	$ 10,548	4/	$ 4,608
Exclusion (60 percent)	6,000		--
Taxable gain	$ 4,548		$ 4,608
Form 1040:			
Interest & other income	$ 2,000		$ 2,000
Capital gains	4,000		--
Other farm income	548		4,608
Net farm profit	12,587		16,113
Total income	$ 19,135		$ 22,721
Adjusted gross income	$ 19,135		$ 22,721
Personal exemptions	4,320		8,000
Taxable income	$ 14,815		$ 14,721
Income tax 5/	$ 1,487		$ 1,608
Investment tax credit	1,880		--
Net income tax	$ (393)		$ 1,608
Schedule SE:			
Self-employment income	$ 12,587		$ 16,113
Self-employment tax	1,548		1,982
Total Federal taxes	$ 1,548		$ 3,590

1/ Production costs are capitalized and recovered as depreciation deductions. 2/ Assumes tax plan is fully implemented. 3/ Dairy cow sales net of basis. 4/ Assumes dairy cow sales not part of net farm profit on schedule F.
5/ Assumes use of standard deduction.

Consider an investor in the 50-percent income tax bracket who has $500-a-year cultural costs which are tax deductible. His taxes are reduced by $250 a year (per acre). When the orchard is sold, the investor's taxable profit is the $8,000 selling price minus the $3,500 basis (land and planting costs), or $4,500.

Since only 40 percent of this is taxable (capital gains rate), the capital gains tax is only $900 ($4,500 x .40 x .50), but the investor has saved $1,250 over 5 years from the tax deductions for the cultural costs. Therefore, the orchard investment actually reduces his taxes by $350. His after-tax profit is $8,000 - $6,000 (land, planting, and cultural costs) + $350 (tax savings) or $2,350 per acre. Thus, profit is greater than what it would be if the entire investment was exempt from taxation.

Under the tax reform plan proposed by the Administration, the costs for developing orchards would no longer be tax deductible. Instead, these costs would be capitalized by all orchard developers (similar to the current law for citrus and almond growers). In addition, 50 percent of long-term capital gains would be taxable, rather than the current 40 percent. However, tax rates would be reduced, with the top tax rate falling from 50 to 35 percent. Assume the investor is in the new 35-percent tax bracket under the proposed law. Since he is not able to deduct the cultural costs, the total cost of establishing the orchard is $6,000 an acre (the land, planting, and cultural costs). The capital gain is $2,000 an acre, and the capital gains tax is $350 (.35 x .50 x $2,000). Under the proposed law, the after-tax profit is $8,000 - $6,000 - $350, or $1,650. This is less than the before-tax profit. The effective tax rate is $350 per $2,000 or 17.5 percent. Taking account of the timing of costs and returns, the internal rate of return on this orchard investment declines from about 12 to 8 percent.

EFFECTS ON A CROP FARM

This example represents a 252-acre corn farm, the average size of all SIC (Standard Industrial Classification) corn farms. The proprietor has a spouse earning $19,670 in an off-farm job, and has two children for a total of four exemptions.

Under current law, the farmer earns $7,744 in net farm profits (Schedule F), and $600 in capital gains from breeding cattle sales (Form 4797). The family pays $3,126 in income taxes, and the farmer pays an additional $953 in self-employment taxes, for a total of $4,079.

Under the Administrations's proposal, this farmer would pay less in taxes, despite the broadening of the tax base. The major tax changes for this corn farmer are as follows.

The current favorable capital gains treatment for breeding livestock sales is eliminated, and $600 of these sales would be taxed as ordinary income. Depreciation deductions rise to $8,810 because the depreciation base is indexed.

	Current law	Proposed law
Schedule F:		
Gross farm receipts		
Swine receipts	$ 173,558	$ 173,558
Soybean crop sale	26,010	26,010
Corn crop sale	43,329	43,329
Sow sales	--	--
Gross receipts	242,897	242,897
Farm deductions		
Production costs	$ 175,712	$ 175,712
Depreciation 1/	34,677	34,775
Expensing of capital	--	5,000
Total deductions	210,389	215,487
Net farm profit	$ 32,508	$ 27,410
Form 4797:		
Sow sales	$ 9,504	2/ $ 9,504
Exclusion (60 percent)	5,702	--
Taxable gain	3,802	9,504
Form 1040:		
Interest & other income	$ 2,693	$ 2,693
Capital gains	3,802	--
Other farm income	--	9,504
Net farm profit	32,508	27,410
Total income	39,003	39,607
Adjusted gross income	$ 39,003	$ 39,607
Personal exemptions	- 4,320	- 8,000
Taxable income	34,683	31,607
Income tax 3/	$ 5,846	$ 4,402
Investment credit	2,784	--
Net income tax	3,062	4,402
Schedule SE:		
Self employment income	$ 32,508	$ 27,410
Self employment tax	3,998	3,371
Total Federal taxes	$ 7,060	$ 7,773

1/ Assumes tax plan is fully implemented.
2/ Assumes sow sales not part of net farm profit on schedule F. 3/ Assumes use of standard deduction.

However, the investment tax credit is eliminated. The farmer continues to expense (immediately deduct) $5,000 of investment. The spousal deduction for two-earner families is eliminated, but personal exemptions are increased, and tax rates are reduced.

The net result is a decline in income tax liability of $292, from $3,126 to $2,834. In this example, there is also a decline in the self-employment tax, from $953 to $802. Thus, total taxes fall from $4,079 to $3,636, or $443.

EFFECTS ON A DAIRY OPERATION

This example assumes an 80-cow herd. Cash costs, receipts, and investment were taken from the U.S. cost-of-production budgets for 1984. This farm produces most of its forages but purchases feed concentrates. An operator and one hired worker provide labor. Substantial unpaid family labor is also needed, limiting opportunities for off-farm income. Investment is assumed to be evenly distributed over 20 years for structures and over 12 years for equipment and machinery. The farmer replaces 24 cows a year: 20 raised on the farm while only 4 are purchased.

The most significant effects on tax obligations would come from the elimination of the investment tax credit and capital gains treatment for dairy cows. Some of this increase would be offset by increased deductions for capital depreciation because the basis of assets would be indexed for inflation.

Under current law, the farmer earns $12,587 in net farm profits (Schedule F), and $4,548 in taxable gains from dairy cow sales (Form 4797). The family owes no Federal income taxes since the investment tax credit is more than sufficient to offset the full tax liability. However, the farmer must pay a self-employment tax of $1,548.

Under the Administration's proposal, this farmer would pay $1,608 in Federal income taxes. Self-employment tax liability would increase to $1,982, thus increasing total Federal taxes from $1,548 to $3,590 (see table).

EFFECTS ON A HOG OPERATION

The farmer runs a 1,600-head sole proprietor hog operation and produces corn for use on the farm and for sale. The farmer also grows soybeans for sale. Unpaid family labor is needed, limiting opportunities for off-farm income. Personal exemptions are for a family of four.

Under current law, the farmer earns $32,508 in net farm profits (Schedule F), and $9,504 in capital gains from culled sow sales (Form 4797). The family pays $3,062 in income taxes and the farmer pays an additional $3,998 in self-employment taxes, for a total of $7,060.

Under the Administration's proposal, the farmer would pay a lower self-employment tax because net farm profit is lower. But overall, the farmer's total Federal taxes would increase nearly $700 to $7,773.

The most significant effects on tax obligations would come from the elimination of the investment tax credit and capital gains treatment for culled sows. Elimination of capital gains treatment results in $9,504 of such sales being taxed as ordinary income. Depreciation deductions rise by approximately $5,100 because the depreciation base is indexed. Under the Administration's proposal, the farmer is assumed to expense (immediately deduct) $5,000 of investment.

Summary Data

Key statistical indicators of the food and fiber sector

	1984				1985				
	II	III	IV	Annual	I	II F	III F	IV F	Annual F
Prices received by farmers (1977=100)	145	142	136	142	135	130	136	134	133
Livestock & products	146	143	142	146	144	135	142	141	140
Crops	143	141	130	138	126	124	129	126	126
Prices paid by farmers, (1977=100)									
prod. items	160	154	152	155	154	152	152	152	153
Commodities & services, int., taxes, & wages	165	164	163	164	164	165	165	165	165
Cash receipts 1/ ($ bil.)*	137	141	150	140-142	137	136-140	137-141	141-145	137-141
Livestock ($ bil.)	70	71	74	72-74	71	67-71	67-71	69-73	68-72
Crops ($ bil.)	67	70	76	68-70	66	67-71	68-72	70-74	67-71
Market basket (1967=100)									
Retail cost	278	280	279	279	284	283	286	287	285
Farm value	257	255	249	255	250	236	246	245	244
Spread	291	295	297	293	304	310	310	312	309
Farm value/retail cost (%)	34	34	33	34	33	31	32	32	32
Retail prices (1967=100)									
Food	302	304	304	303	309	309	311	313	311
At home	292	293	292	292	298	296	299	300	298
Away-from home	332	335	338	333	341	345	348	351	346
Agricultural exports ($ bil.) 2/	8.9	8.2	10.0	38.0	8.9	7.8	6.8	9.0	33.5
Agricultural imports ($ bil.) 2/	4.7	5.0	4.7	18.9	4.7	5.5	4.6	4.7	19.5
Livestock & products									
Total livestock & products (1974=100)	116.5	114.8	116.1	114.9	112.5	119.3	115.8	114.4	115.5
Beef (mil. lb.)	5,820	5,952	5,936	23,418	5,691	5,900	5,935	5,635	23,151
Pork (mil. lb.)	3,670	3,355	3,957	14,720	3,618	3,735	3,400	3,825	14,578
Veal (mil. lb.)	113	123	128	479	119	110	115	100	444
Lamb & mutton (mil. lb.)	92	88	93	371	93	85	79	81	338
Red meats (mil. lb.)	9,695	9,518	10,114	38,988	9,521	9,830	9,519	9,641	38,511
Broilers (mil. lb.)	3,350	3,339	3,227	12,999	3,227	3,550	3,520	3,400	13,697
Turkeys (mil. lb.)	589	777	775	2,574	482	625	820	815	2,742
Total meats & poultry (mil. lb.)	13,634	13,634	14,116	54,561	13,230	14,005	13,859	13,856	54,950
Eggs (mil. dz.)	1,408	1,427	1,469	5,705	1,430	1,410	1,410	1,450	5,700
Milk (bil. lb.)	35.6	33.5	32.4	135.4	33.6	37.2	34.9	33.6	139.3
Choice steers, Omaha ($/cwt.)	66.01	64.28	63.49	65.34	62.24	57.66	58-62	62-66	60-62
Barrows & gilts, 7 markets ($/cwt.)	48.91	51.21	47.65	48.86	47.32	43.09	46-50	45-49	45-47
Broilers-wholesale, 12-city weighted avg. dressed (cts./lb.)	56.4	54.1	49.9	55.6	51.5	51.0	49-53	48-52	50-52
Turkeys-wholesale, N.E., 8-16 lb. hens, dressed (cts./lb.)	66.9	72.4	90.5	74.4	68.9	65.0	66-70	63-67	66-68
Eggs, N.Y. Gr. A large, (cts./dz.)	83.4	70.1	66.7	80.9	61.7	60.0	66-70	68-72	64-66
Milk, all at farm ($/cwt.)	12.97	13.27	14.10	13.45	13.67	12.53	12.10-12.30	12.55-12.95	12.70-12.85
Crop prices at the farm 3/									
Wheat ($/bu.)	3.58	3.36	3.42	3.38	3.38	3.28	—	—	3.20-3.40
Corn ($/bu.)	3.34	3.11	2.59	2.65	2.64	2.67	—	—	2.45-2.65
Soybeans ($/bu.)	7.98	6.51	5.97	5.85	5.84	5.74	—	—	5.25-5.95
Upland cotton (cts./lb.)	69.3	66.0	60.7	—	51.8	56.2	—	—	—

1/ Quarterly cash receipts are seasonally adjusted at annual rates. 2/ Annual data are based on Oct.-Sept. fiscal years ending with the indicated year. 3/ Quarterly prices are simple averages; annual prices are for marketing year beginning in year indicated. F = Forecast. Numbers may not add to totals due to rounding. *Seasonally adjusted at annual rates.

Farm Income

Farm income statistics

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984 F	1985 F
						$ Bil.					
Receipts											
Cash receipts:											
Crops 1/	45.8	49.0	48.6	53.7	63.2	72.7	73.3	74.6	69.5	68 to 70	67 to 71
Livestock	43.1	46.3	47.6	59.2	68.6	67.8	69.2	70.1	69.2	72 to 74	68 to 72
Total	88.9	95.4	96.2	112.9	131.8	140.5	142.6	144.8	138.7	140 to 142	137 to 141
Other cash income 2/	1.8	1.8	3.0	4.3	2.9	2.8	3.8	5.5	10.8	10 to 12	8 to 12
Gross cash income	90.7	97.1	99.2	117.2	134.7	143.3	146.4	150.2	149.6	152 to 154	147 to 152
Nonmoney income 3/	6.5	7.3	8.4	9.2	10.7	12.4	13.6	14.2	13.6	12 to 14	11 to 13
Realized gross income	97.2	104.4	107.6	126.4	145.4	155.7	160.0	164.4	163.2	165 to 167	159 to 164
Value of inventory chg	3.4	-1.5	1.1	.8	4.9	-5.5	7.9	-2.6	-11.7	7 to 9	-3 to 1
Total gross income	100.6	102.9	108.7	127.2	150.4	150.2	167.9	161.8	151.4	173 to 175	158 to 163
Expenses											
Cash expenses 4/	61.7	67.8	72.0	81.0	97.2	105.6	111.4	113.4	109.5	113 to 115	111 to 115
Total expenses	75.0	82.7	88.9	99.5	118.1	128.9	136.9	139.5	135.3	138 to 140	136 to 140
Income											
Net cash income	29.0	29.3	27.3	36.2	37.5	37.7	35.0	36.8	40.1	37 to 40	34 to 39
Total net farm income	25.6	20.1	19.8	27.7	32.3	21.2	31.0	22.3	16.1	33 to 36	20 to 25
Deflated total net farm income 5/	20.3	15.2	14.2	18.4	19.8	11.9	15.8	10.8	7.5	14 to 16	9 to 11
Off-farm income	23.9	26.7	26.1	29.7	35.3	37.6	39.8	39.4	41.0	39 to 43	41 to 45

F = Forecast. 1/ Includes net CCC loans. The 1984 and 1985 forecasts exclude forest products. 2/ Income from machine hire and custom work, farm recreational income, and direct government payments. The 1984 and 1985 forecasts include sales of forest products. 3/ Imputed gross rental value of farm dwellings and value of home consumption. 4/ Excludes depreciation of farm capital, perquisites to hired labor, and expenses associated with farm dwellings, and includes net rent to all landlords. 5/ Deflated by the GNP implicit price deflator, 1972=100. Totals may not add due to rounding.

Transportation Data

Rail rates; grain and fruit-vegetable shipments

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Rail freight rate index 1/ (Dec 1984 = 100)										
All products	93.7	95.0	99.3	99.0	100.0	100.0	100.0	100.0 p	100.0 p	100.0 p
Farm products	92.4	94.0	98.7	98.2	100.0	100.0	100.1	99.5 p	99.5 p	99.9 p
Grain	93.4	94.0	98.6	98.0	100.0	100.2	100.0	99.3 p	99.3 p	99.3 p
Food products	93.7	94.8	99.1	98.8	100.0	100.0	100.0	100.0 p	100.0 p	100.1 p
Grain										
Rail carloadings (thou. cars) 2/	24.9	26.1	27.3	23.6	26.4	24.9	23.9	23.4	19.9	17.2
Barge shipments (mil. bu.) 3/	41.2	40.8	37.2	36.5	36.2	32.9	30.0	34.2	34.4	25.4
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	387	545	568	832	511	480	519	602	641	852
Rail (thou. cwt.) 3/ 4/	698	786	641	842	635	570	565	631	444	553
Truck (thou. cwt.) 3/ 4/	7,849	7,786	7,861	9,712	7,962	6,918	6,786	7,334	8,584	10,023

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985. p = preliminary.

Indexes of prices received and paid by farmers, U.S. average

	Annual			1984	1985					
	1982	1983	1984	June	Jan	Feb	Mar	Apr	May	June p
					1977=100					
Prices Received										
All farm products	133	134	142	144	135	135	134	131	129	129
All crops	121	127	138	144	126	125	127	125	124	123
Food grains	146	148	143	143	140	139	140	142	136	130
Feed grains & hay	120	143	146	158	130	129	130	132	133	130
Feed grains	120	146	148	161	130	129	131	133	132	130
Cotton	92	104	108	112	86	81	90	92	90	96
Tobacco	153	155	153	153	162	158	159	157	157	157
Oil-bearing crops	88	102	109	123	90	88	90	90	88	87
Fruit	175	122	197	196	197	188	175	172	180	185
Fresh market 1/	186	123	214	214	212	202	185	182	193	198
Commercial vegetables	126	130	135	117	128	137	153	122	113	106
Fresh market	120	129	133	108	126	137	158	118	106	96
Potatoes 2/	125	123	157	175	132	133	139	146	154	168
Livestock & products	145	141	146	144	145	145	141	136	134	134
Meat animals	155	147	151	152	152	154	148	144	143	143
Dairy products	140	140	139	133	144	141	137	133	129	126
Poultry & eggs	110	118	135	125	117	113	116	110	107	114
Prices paid										
Commodities & services, interest, taxes, & wage rates	157	160	164	165	164	164	164	165	165	164
Production items	150	153	155	156	154	154	153	153	152	152
Feed	122	134	135	141	123	122	121	120	119	117
Feeder livestock	164	160	154	150	163	165	164	162	158	155
Seed	141	141	151	153	156	156	156	150	150	150
Fertilizer	144	137	143	147	139	139	137	137	135	135
Agricultural chemicals	119	125	128	129	129	129	128	126	128	128
Fuels & energy	210	202	201	203	195	192	195	201	203	204
Farm & motor supplies	152	152	147	147	147	147	147	147	147	147
Autos & trucks	159	170	182	181	189	189	189	189	194	194
Tractors & self-propelled machinery	165	174	181	182	182	182	180	180	180	177
Other machinery	160	171	180	182	183	183	182	182	182	184
Building & fencing	135	138	138	137	137	136	136	136	136	136
Farm services & cash rent	145	146	148	148	152	152	152	152	152	152
Interest payable per acre on farm real estate debt	241	250	251	251	250	250	250	250	250	250
Taxes payable per acre on farm real estate	124	129	132	132	135	135	135	135	135	135
Wage rates (seasonally adjusted)	144	148	150	150	150	150	150	158	158	158
Production items, interest, taxes, & wage rates	155	159	161	162	160	160	160	160	160	159
Prices received (1910-14=100)	609	614	649	656	619	617	611	598	590	588
Prices paid, etc. (Parity index) (1910-14=100)	1,078	1,104	1,127	1,132	1,130	1,130	1,130	1,133	1,133	1,129
Parity ratio 3/	57	56	58	58	55	55	54	53	52	52

1/ Fresh market for noncitrus and fresh market and processing for citrus. 2/ Includes sweetpotatoes and dry edible beans. 3/ Ratio of index of prices received to index of prices paid, taxes, and wage rates. (1910-14=100).
p = preliminary.

Prices received by farmers, U.S. average

	Annual*			1984	1985					
	1982	1983	1984	June	Jan	Feb	Mar	Apr	May	June p
Crops										
All wheat ($/bu.)	3.52	3.58	3.46	3.46	3.38	3.38	3.38	3.43	3.29	3.13
Rice, rough ($/cwt.)	8.36	8.31	8.32	8.20	8.09	7.72	8.17	8.20	7.91	7.64
Corn ($/bu.)	2.37	2.99	3.05	3.36	2.64	2.62	2.66	2.70	2.67	2.64
Sorghum ($/cwt.)	4.00	4.89	4.60	4.94	4.16	4.10	4.23	4.46	4.55	4.39
All hay, baled ($/ton)	69.17	73.66	76.08	78.00	74.00	75.40	72.50	73.40	78.90	71.80
Soybeans ($/bu.)	5.78	6.73	7.02	7.99	5.90	5.75	5.88	5.87	5.70	5.66
Cotton, Upland (cts./lb.)	55.5	62.9	65.5	68.0	52.1	48.9	54.5	55.9	54.7	58.1
Potatoes ($/cwt.)	5.10	4.97	6.45	7.52	5.22	5.18	5.48	5.79	6.18	6.98
Dry edible beans ($/cwt.)	16.82	18.22	20.43	20.60	18.10	19.20	19.10	19.80	19.80	18.90
Apples for fresh use (cts./lb.)	15.3	13.2	16.7	14.7	14.7	14.5	15.0	14.9	13.6	12.3
Pears for fresh use ($/ton)	300	280	218	115	329	376	381	437	518	--
Oranges, all uses ($/box) 1/	6.61	3.36	9.01	9.50	8.37	8.01	7.12	7.06	8.06	7.78
Grapefruit, all uses ($/box) 1/	2.06	1.99	3.05	2.31	3.86	3.48	2.88	3.39	2.86	4.19
Livestock										
Beef cattle ($/cwt.)	57.00	55.83	57.56	57.60	57.30	58.50	57.30	56.20	55.30	54.50
Calves ($/cwt.)	60.18	62.13	60.23	59.20	64.10	65.40	65.90	65.40	65.60	64.00
Hogs ($/cwt.)	53.99	46.23	47.61	49.00	48.00	48.30	43.60	41.20	41.40	43.70
Lambs ($/cwt.)	54.55	55.47	60.33	57.50	63.40	66.70	68.00	68.40	72.40	69.80
All milk, sold to plants ($/cwt.)	13.59	13.57	13.45	12.90	14.00	13.70	13.30	12.90	12.50	12.20
Milk, manuf. grade ($/cwt.)	12.66	12.63	12.54	12.10	12.90	12.60	12.30	11.90	11.60	11.30
Broilers (cts./lb.)	26.8	28.5	33.7	33.4	30.9	30.5	30.1	28.8	29.1	31.1
Eggs (cts./doz.) 2/	58.5	63.1	70.2	61.2	51.7	52.8	57.6	53.0	50.0	53.2
Turkeys (cts./lb.)	37.5	36.5	46.6	42.0	51.9	41.6	40.7	40.3	39.4	41.4
Wool (cts./lb.) 3/	68.0	61.5	76.5	86.6	68.2	65.3	72.2	74.8	74.6	72.5

1/ Equivalent on-tree returns. 2/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail. 3/ Average local market price, excluding incentive payments. *Calendar year averages. p = preliminary.

Producer and Consumer Prices

Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted)

	Annual	1984				1985				
	1984	May	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	1967=100									
Consumer price index, all items	311.1	309.7	315.3	315.3	315.5	316.1	317.4	318.8	320.1	321.3
Consumer price index, less food	311.3	310.0	316.1	316.2	316.2	316.3	317.4	319.1	320.8	322.4
All food	302.9	301.4	304.4	304.1	305.1	307.3	309.5	309.7	309.6	308.9
Food away from home	333.4	332.6	336.6	337.7	339.2	339.9	341.4	342.6	343.9	345.1
Food at home	292.6	290.7	293.4	292.4	293.2	296.1	298.6	298.4	297.7	296.2
Meats 1/	268.1	267.9	267.1	266.1	269.6	270.8	270.6	269.5	266.4	263.4
Beef & veal	275.6	278.3	271.3	271.9	276.2	276.4	275.6	275.3	273.7	269.0
Pork	252.5	248.0	255.0	251.2	254.6	258.5	258.9	256.5	249.0	247.8
Poultry	218.5	218.0	214.0	213.1	213.8	217.4	219.5	217.3	216.7	213.6
Fish	386.8	380.8	390.6	389.2	392.2	406.1	401.4	403.3	402.8	395.8
Eggs	209.0	218.9	177.8	175.6	185.7	161.3	169.7	172.1	169.9	159.9
Dairy products 2/	253.2	251.0	256.1	257.2	258.4	258.8	259.2	258.9	258.3	258.4
Fats & oils 3/	288.0	282.9	294.9	293.0	293.7	295.9	295.1	294.9	294.0	294.0
Fruits & vegetables	317.4	310.2	318.4	314.8	309.7	320.8	333.0	332.1	333.2	330.3
Fresh	330.3	316.0	329.3	323.4	312.6	332.7	354.1	352.1	353.5	346.9
Processed	306.1	306.5	309.2	308.0	309.3	310.6	312.7	313.0	313.8	315.0
Cereals & bakery products	305.3	303.5	308.7	309.0	310.7	312.4	313.7	314.4	314.8	315.9
Sugar & sweets	389.1	390.0	393.3	390.9	391.7	394.5	394.8	394.8	396.1	397.6
Beverages, nonalcoholic	443.0	441.7	446.8	445.5	443.4	449.4	452.7	454.0	454.0	454.1
Apparel commodities less footwear	183.2	181.7	189.2	188.3	185.9	181.9	183.7	187.6	188.2	187.3
Footwear	209.5	210.2	212.9	212.9	211.4	208.6	210.1	213.1	213.2	213.2
Tobacco products	310.0	305.9	314.6	314.7	314.6	321.0	323.2	323.7	324.0	324.1
Beverages, alcoholic	222.1	221.5	224.2	223.8	223.9	224.3	225.8	226.5	226.7	227.7

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter.

Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
	1967=100									
Finished goods 1/	280.7	285.2	291.2	291.1	292.0	292.3	292.5	292.4	293.1	294.2
Consumer foods	259.3	261.8	273.5	271.7	273.6	273.7	275.5	274.2	272.4	269.7
Fresh fruit	236.9	251.2	252.8	240.9	269.7	255.5	285.1	248.7	258.1	244.3
Fresh & dried vegetables	246.5	248.9	278.3	240.2	217.9	242.3	272.8	282.7	274.9	237.9
Eggs	178.7	n.a.	210.8	201.0	187.5	141.9	161.5	167.6	175.1	150.2
Bakery products	275.4	285.7	299.0	295.7	305.0	307.3	308.9	309.1	308.9	309.6
Meats	250.6	236.7	236.7	235.8	236.2	236.7	234.5	230.2	222.7	272.2
Beef & veal	245.0	236.7	236.9	238.6	234.6	233.9	234.9	227.8	220.1	217.3
Pork	251.1	727.6	226.2	219.8	229.8	230.9	220.6	218.2	208.0	211.6
Poultry	178.7	185.0	206.1	206.6	200.1	198.8	196.1	193.3	187.7	189.7
Fish	472.4	448.2	485.3	515.9	539.2	541.2	527.7	527.4	537.6	533.9
Dairy products	248.9	250.6	251.7	248.9	255.8	255.4	254.1	253.4	251.4	250.1
Processed fruits & vegetables	274.5	277.4	294.2	297.7	293.5	296.7	295.4	300.2	298.7	297.7
Shortening & cooking oils	234.4	256.1	311.5	327.9	308.8	301.0	303.9	307.3	310.3	310.5
Consumer finished goods less foods	287.8	291.4	294.1	294.9	294.8	294.8	293.6	293.7	295.8	299.1
Beverages, alcoholic	197.8	205.0	209.9	211.5	209.6	210.1	210.1	210.5	210.3	213.6
Soft drinks	319.1	327.4	340.5	340.5	345.6	345.0	350.3	348.6	347.4	346.1
Apparel	194.4	197.4	201.1	201.3	202.1	202.7	202.8	203.2	203.6	203.6
Footwear	245.0	250.1	251.2	251.5	252.6	252.4	256.6	255.5	255.3	253.9
Tobacco products	323.2	365.4	399.5	390.6	406.9	423.8	420.4	420.6	420.7	420.7
Intermediate materials 2/	310.4	312.3	320.0	320.9	319.9	319.6	318.6	318.6	319.4	319.9
Materials for food manufacturing	255.1	258.4	271.7	276.0	268.2	265.2	264.1	263.5	263.3	261.3
Flour	183.4	186.4	185.2	187.2	183.3	185.6	186.9	186.0	189.8	184.3
Refined sugar 3/	161.3	172.0	173.5	175.4	170.6	168.2	165.1	165.6	165.2	166.1
Crude vegetable oils	160.1	193.8	262.1	305.4	252.0	223.9	235.9	246.0	276.6	255.8
Crude materials 4/	319.5	323.6	331.0	338.0	322.4	318.9	318.3	312.9	311.3	310.0
Foodstuffs & foodstuffs	247.8	252.2	259.7	266.4	253.0	250.7	250.7	243.6	240.5	237.0
Fruits & vegetables 5/	253.7	262.1	278.0	251.9	252.0	258.6	289.2	277.7	277.8	250.9
Grains	210.9	240.4	239.7	256.2	212.5	217.5	217.2	216.1	220.6	214.1
Livestock	257.8	243.1	251.8	254.8	252.3	247.4	249.7	236.6	231.3	727.7
Poultry, live	191.9	206.5	240.6	240.6	231.7	232.7	222.4	215.5	202.3	214.6
Fibers, plant & animal	202.9	227.0	728.4	259.1	203.0	204.5	200.6	200.4	211.3	202.8
Milk	282.5	282.0	278.3	271.7	287.5	284.6	281.0	278.4	271.1	264.9
Oilseeds	214.5	245.3	253.3	298.7	216.2	214.9	211.7	213.0	219.4	214.7
Coffee, green	311.5	300.1	308.0	310.2	310.2	310.2	310.2	310.2	310.2	310.2
Tobacco, leaf	269.9	274.2	272.7	274.6	290.9	284.5	258.5	280.0	279.1	276.4
Sugar, raw cane	278.5	315.9	312.0	314.5	304.5	297.7	293.6	298.0	298.5	301.9
All commodities	299.3	303.1	310.3	311.5	309.8	309.7	309.2	308.7	309.3	309.9
Industrial commodities	312.3	315.7	322.6	323.2	323.0	323.1	322.5	322.6	323.8	325.3
All foods 6/	254.4	257.5	269.4	268.9	269.5	268.5	269.6	268.4	267.1	264.3
Farm products & processed foods & feeds	248.9	253.9	262.6	265.8	258.6	257.6	257.8	255.0	253.3	250.6
Farm products	242.4	248.2	255.7	260.8	245.7	243.2	244.6	238.7	236.9	230.4
Processed foods & feeds	251.5	255.9	265.3	267.5	264.5	264.4	263.9	262.9	261.2	260.6
Cereal & bakery products	253.8	261.0	270.4	268.7	273.6	276.6	278.2	277.8	278.2	277.6
Sugar & confectionery	269.7	292.8	301.4	303.8	295.7	293.5	290.4	291.6	292.8	293.6
Beverages	256.9	263.6	273.2	273.5	275.6	275.9	277.6	277.6	277.2	277.9

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). n.a. = not available.

Market basket of farm foods

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Market basket 1/										
Retail cost (1967=100)	266.4	268.7	279.3	277.4	279.9	282.1	284.8	284.2	283.3	281.9
Farm value (1967=100)	247.8	242.3	255.7	255.1	252.7	250.5	250.5	248.2	239.5	233.5
Farm-retail spread (1967=100)	277.4	284.3	293.1	290.5	295.9	300.7	305.0	305.2	309.1	310.3
Farm value/retail cost (%)	34.4	33.4	33.9	34.1	33.4	32.9	32.6	32.4	31.3	30.7
Meat products										
Retail cost (1967=100)	270.3	267.2	268.1	267.9	269.6	270.8	270.6	269.5	266.4	263.4
Farm value(1967=100)	251.3	235.8	241.6	242.7	245.6	242.9	242.0	234.2	220.6	215.1
Farm-retail spread (1967=100)	292.4	304.0	299.0	297.4	297.7	303.4	304.1	310.8	320.0	319.9
Farm value/retail cost (%)	50.2	47.6	48.6	48.9	49.2	48.4	48.2	46.9	44.7	44.1
Dairy products										
Retail cost (1967=100)	247.0	250.0	253.2	251.0	258.4	258.8	259.2	258.9	258.3	258.4
Farm value (1967=100)	261.9	262.1	259.0	253.8	266.7	265.8	261.0	257.6	254.0	251.8
Farm-retail spread (1967=100)	233.9	239.3	248.0	248.5	251.1	252.7	257.6	260.0	262.1	264.2
Farm value/retail cost (%)	49.6	49.0	47.8	47.3	48.3	48.0	47.1	46.5	46.0	45.6
Poultry										
Retail cost (1967=100)	194.9	197.5	218.5	218.0	213.8	217.4	219.5	217.3	216.7	213.6
Farm value (1967=100)	201.9	213.0	251.7	246.2	244.2	245.1	228.2	224.7	216.9	217.3
Farm-retail spread (1967=100)	188.1	182.4	186.4	190.7	184.4	190.5	211.1	210.2	216.5	210.0
Farm value/retail cost (%)	50.7	53.1	56.6	55.5	56.2	55.5	51.1	50.8	49.2	50.0
Eggs										
Retail cost (1967=100)	178.7	187.1	209.0	218.9	185.7	161.3	169.7	172.1	169.9	159.9
Farm value (1967=100)	189.8	206.1	229.6	223.3	189.2	153.7	159.8	180.6	161.6	149.4
Farm-retail spread (1967=100)	162.7	159.5	179.2	212.4	180.6	172.2	184.0	159.8	181.9	175.0
Farm value/retail cost (%)	62.8	65.1	64.9	60.3	60.2	56.3	55.7	62.0	56.2	55.2
Cereal & bakery products										
Retail cost (1967=100)	283.4	292.5	305.3	303.5	310.7	312.4	313.7	314.4	314.8	315.9
Farm value (1967=100)	178.8	186.6	191.9	203.9	182.8	184.3	183.8	188.1	188.2	181.7
Farm-retail spread (1967=100)	305.1	314.0	328.8	324.1	337.2	338.9	340.6	340.5	341.0	343.7
Farm value/retail cost (%)	10.8	11.1	10.8	11.5	10.1	10.1	10.0	10.3	10.2	9.9
Fresh fruits										
Retail cost (1967=100)	323.2	303.6	345.3	330.1	353.5	361.5	382.9	381.2	383.1	404.4
Farm value (1967=100)	288.8	220.6	315.1	282.7	317.7	291.7	338.7	293.6	275.2	256.7
Farm-retail spread (1967=100)	338.7	340.8	358.9	351.7	369.7	392.8	402.7	420.5	431.6	470.7
Farm value/retail cost (%)	27.7	22.5	28.3	26.5	27.8	25.0	27.4	23.9	22.3	19.7
Fresh vegetables										
Retail costs (1967=100)	288.9	299.3	331.8	316.8	294.8	324.5	346.3	342.0	340.8	314.3
Farm value (1967=100)	261.3	267.4	299.3	268.5	216.8	250.7	256.6	305.5	291.8	249.1
Farm-retail spread (1967=100)	301.8	314.3	347.1	339.5	331.5	359.2	389.4	359.2	363.8	344.9
Farm value/retail cost (%)	28.9	28.6	28.9	27.1	23.5	24.7	23.5	28.6	27.4	25.3
Processed fruits & vegetables										
Retail cost (1967=100)	286.0	288.8	306.1	306.5	309.3	310.6	312.7	313.0	313.8	315.0
Farm value (1967=100)	321.1	300.5	343.2	339.0	364.5	364.3	369.4	373.8	375.4	375.4
Farm-retail spread (1967=100)	278.2	286.2	297.8	299.3	297.1	298.7	300.1	299.5	300.2	301.6
Farm value/retail costs (%)	20.4	18.9	20.3	20.1	21.4	21.3	21.4	21.6	21.7	21.6
Fats & oils										
Retail cost (1967=100)	259.9	263.1	288.0	282.9	293.7	295.7	295.1	294.9	294.0	294.0
Farm value (1967=100)	207.8	251.0	324.5	408.0	298.3	281.0	302.8	313.3	323.4	372.5
Farm-retail spread (1967=100)	279.9	267.8	273.9	234.8	291.9	301.4	292.1	287.8	282.7	283.0
Farm value/retail cost (%)	22.2	26.5	31.3	40.1	28.2	26.4	28.5	29.5	30.6	30.5

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditure, Statistical Bulletin 713, ERS, USDA.

Farm-retail price spreads

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Beef, Choice										
Retail price 1/ (cts./lb.)	242.5	238.1	239.6	241.9	240.3	239.7	238.7	238.6	236.8	234.4
Net carcass value 2/ (cts.)	150.7	145.4	147.6	146.9	149.5	147.0	144.3	137.0	132.9	133.0
Net farm value 3/ (cts.)	140.5	136.2	140.0	137.8	142.5	139.8	137.2	129.7	127.0	125.4
Farm-retail spread (cts.)	102.0	101.9	99.6	104.1	97.8	99.9	101.5	108.9	109.8	109.0
Carcass-retail spread 4/ (cts.)	91.8	92.7	92.0	95.0	90.8	92.7	94.4	101.6	103.9	101.4
Farm-carcass spread 5/ (cts.)	10.2	9.2	7.6	9.1	7.0	7.2	7.1	7.3	5.9	7.6
Farm value/retail price (%)	58	57	58	57	59	58	57	54	54	53
Pork										
Retail price 1/ (cts./lb.)	175.4	169.8	162.0	158.6	163.5	166.0	165.6	164.7	159.3	158.7
Wholesale value 2/ (cts.)	121.8	108.9	110.1	110.6	112.7	110.0	106.9	102.0	97.2	99.6
Net farm value 3/ (cts.)	88.0	76.5	77.4	75.6	79.6	78.0	77.5	69.6	65.8	67.8
Farm-retail spread (cts.)	87.4	93.3	84.6	83.0	83.9	88.0	88.1	95.1	93.5	90.9
Wholesale-retail spread 4/ (cts.)	53.6	60.9	51.9	48.0	50.9	56.0	58.7	62.7	62.1	59.1
Farm-wholesale spread 5/ (cts.)	33.8	32.4	32.7	35.0	33.1	32.0	39.4	32.4	31.4	31.8
Farm value/retail price (%)	50	45	48	48	49	47	47	42	41	43

1/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail prices from BLS.
2/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts.
3/ Market value to producer for quantity of live animal equivalent to 1 lb. retail cuts minus value of byproducts.
4/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 5/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Livestock and Products

Poultry and eggs

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Broilers										
Federally inspected slaughter, certified (mil. lb.)	12,039	12,389	12,999	1,184.4	995.4	1,154.9	991.3	1,082.6	1,196.6	1,213.3
Wholesale price, 9-city, (cts./lb.) 1/	44.0	49.4	55.6	57.6	49.0	52.8	51.9	49.7	47.8	50.9
Price of grower feed ($/ton)	210	223	233	246	215	219	215	214	207	199
Broiler-feed price ratio (lb.) 2/	2.6	2.6	2.8	2.7	2.6	2.8	2.8	2.8	2.8	2.9
Stocks beginning of period (mil. lb.)	32.6	72.3	21.2	20.6	20.5	19.7	21.7	22.9	24.1	26.2
Avg. weekly placements of broiler chicks, 19 States (mil.)	80.2	80.4	83.1	86.8	84.4	85.9	86.3	89.2	90.3	90.1
Turkeys										
Federally inspected slaughter, certified (mil. lb.)	2,459	2,563	2,574	202.6	182.8	157.8	147.8	176.3	177.1	211.9
Wholesale price, New York, 8-16 lb. young hens (cts./lb.)	60.8	60.5	74.4	66.8	97.3	74.0	65.6	67.0	64.6	62.6
Price of turkey grower feed ($/ton)	229	247	245	258	220	216	216	220	214	212
Turkey-feed price ratio (lb.) 2/	3.3	3.0	3.8	3.3	5.5	4.8	3.9	3.7	3.8	3.7
Stocks beginning of period (mil. lb.)	238.4	203.9	161.8	142.2	195.6	125.3	124.1	131.5	131.1	157.0
Poults placed in U.S. (mil.)	(4/)	181.8	190.0	21.2	12.1	15.5	16.3	18.6	20.5	21.9
Eggs										
Farm production (mil.)	69,680	68,169	68,193	5,738	6,037	5,951	5,292	5,932	5,672	5,721
Average number of layers (mil.)	286	276	278	276	286	284	280	278	274	271
Rate of lay (eggs per layer on farms)	243	247	245	20.8	21.1	20.9	18.9	21.4	20.7	21.1
Cartoned price, New York, grade A large (cts./doz.) 3/	70.1	75.2	80.9	75.9	63.8	61.5	58.1	65.5	59.9	55.7
Price of laying feed ($/ton)	190	204	206	214	187	189	189	186	186	183
Egg-feed price ratio (lb.) 2/	6.1	6.2	6.8	6.5	6.2	5.5	5.6	6.2	5.7	5.5
Stocks, first of month										
Shell (thou. cases)	34	34	13	35	35	31	30	29	23	26
Frozen (mil. lb.)	23.7	25.4	11.8	12.7	16.2	13.4	14.9	13.9	13.5	13.2
Replacement chicks hatched (mil.)	444	407	459	49.0	27.1	28.3	28.5	37.0	41.1	39.1

1/ 12-city composite weighted average beginning April 25, 1983. 2/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 3/ Price of cartoned eggs to volume buyers for delivery to retailers. 4/ Not reported.

Dairy

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Milk prices, Minnesota-Wisconsin, 3.5% fat ($/cwt.) 1/	12.49	12.49	12.29	12.08	12.52	12.40	12.21	11.95	11.62	11.46
Price of 16% dairy ration ($/ton)	177	188	191	197	176	177	174	172	171	170
Milk-feed price ratio (lb.) 2/	1.54	1.45	1.42	1.32	1.59	1.58	1.57	1.55	1.51	1.47
Wholesale prices										
Butter, Grade A Chi. (cts./lb.)	147.7	147.3	148.8	142.9	145.6	141.5	141.2	141.2	141.9	141.9
Am. cheese, Wis. assembly pt. (cts./lb.)	138.3	138.3	138.0	135.9	137.5	136.5	134.3	132.0	129.9	128.0
Nonfat dry milk, (cts./lb.) 3/	93.2	93.2	90.9	90.6	91.5	91.0	90.6	89.7	84.5	84.5
USDA net removals										
Total milk equiv. (mil. lb.) 4/	14,281.6	16,813.7	8,644.7	1,105.4	397.2	1,374.8	1,383.9	1,354.3	1,496.4	1,451.2
Butter (mil. lb.)	382.0	413.2	202.6	23.3	10.5	50.0	44.6	34.2	36.6	42.1
Am. cheese (mil. lb.)	642.5	832.8	447.3	63.1	18.1	34.6	46.1	65.1	74.4	58.3
Nonfat dry milk (mil. lb.)	948.1	1,061.0	678.4	86.8	36.0	58.8	54.9	63.9	86.8	94.5
Milk										
Total milk production (mil. lb.)	135,505	139,672	135,444	12,227	10,967	11,209	10,566	11,857	12,007	12,790
Milk per cow (lb.)	12,306	12,585	12,495	1,132	1,014	1,038	977	1,094	1,101	1,164
Number of milk cows (thou.)	11,011	11,098	10,840	10,805	10,814	10,801	10,811	10,839	10,903	10,984
Stocks, beginning 4/										
Total (mil. lb.)	18,377	20,054	22,646	23,323	17,993	16,429	15,812	15,667	15,510	15,023
Commercial (mil. lb.)	5,398	4,603	5,734	5,261	4,798	4,937	5,119	5,101	4,970	4,977
Government (mil. lb.)	12,980	15,451	17,412	18,062	13,195	11,492	10,693	10,566	10,540	10,046
Imports, total (mil. lb.) 4/	2,477	2,616	2,741	221	296	213	249	180	186	n.a.
Commercial disappearance milk equiv. (mil. lb.)	122,135	122,474	126,763	10,787	10,466	9,595	9,204	10,543	10,468	n.a.
Butter										
Production (mil. lb.)	1,257.0	1,299.2	1,103.3	105.1	95.1	118.4	107.5	107.1	110.8	112.9
Stocks, beginning (mil. lb.)	429.2	466.8	499.4	532.4	335.9	296.6	277.3	289.4	291.7	272.7
Commercial disappearance (mil. lb.)	897.3	881.7	902.3	76.5	77.9	69.7	60.5	75.5	70.7	n.a.
American cheese										
Production (mil. lb.)	2,752.3	2,927.7	2,648.2	263.8	210.0	223.1	201.7	230.9	251.2	271.5
Stocks, beginning (mil. lb.)	889.1	981.4	1,161.5	1,161.4	1,036.2	960.5	936.1	897.7	874.0	857.2
Commercial disappearance (mil. lb.)	2,166.8	2,083.3	2,253.6	191.3	194.3	174.6	163.0	177.6	192.1	n.a.
Other cheese										
Production (mil. lb.)	1,789.4	1,891.8	2,025.5	169.1	186.2	167.5	153.6	180.7	172.6	179.7
Stocks, beginning (mil. lb.)	86.6	82.8	104.9	101.0	98.4	101.4	103.2	100.4	101.3	106.8
Commercial disappearance (mil. lb.)	2,044.6	2,134.3	2,310.9	189.0	215.5	181.4	178.4	198.7	185.6	n.a.
Nonfat dry milk										
Production (mil. lb.)	1,400.5	1,499.9	1,158.9	125.7	85.5	88.4	91.1	104.6	126.0	139.9
Stocks, beginning (mil. lb.)	889.7	1,282.0	1,394.9	1,442.6	1,263.9	1,231.7	1,150.3	1,119.8	1,095.1	1,075.0
Commercial disappearance (mil. lb.)	447.7	459.9	496.0	31.4	26.9	35.5	34.9	34.3	33.6	n.a.
Frozen dessert production (mil. gal.) 5/	1,178.2	1,224.2	1,230.4	492.1	75.2	79.5	80.7	100.5	107.0	122.2

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk equivalent, fat-basis. 5/ Ice cream, ice milk, and sherbet. n.a. = not available.

Wool

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
U.S. wool price, Boston 1/ (cts./lb.)	247	212	229	234	214	205	195	185	182	191
Imported wool price, Boston 2/ (cts./lb.)	262	248	241	248	230	226	210	200	183	190
U.S. mill consumption, scoured										
Apparel wool (thou. lb.)	105,857	126,729	128,982	11,914	9,381	9,264	8,281	9,825	8,765	9,284
Carpet wool (thou. lb.)	9,825	13,851	13,088	1,280	799	1,323	1,205	1,462	977	963

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4'' and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents. n.a. = not available.

Meat animals

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	7,201	8,316	8,006	7,376	8,544	8,617	8,169	7,877	7,814	7,495
Placed on feed (thou. head)	20,261	19,727	20,772	1,798	1,624	1,452	1,342	1,594	1,417	1,666
Marketings (thou. head)	18,007	18,680	18,785	1,637	1,414	1,782	1,540	1,559	1,603	1,589
Other disappearance (thou. head)	1,139	1,354	1,376	219	137	118	94	98	133	128
Beef steer-corn price ratio, Omaha (bu.)2	26.5	20.6	21.6	19.7	25.6	24.8	24.1	22.2	21.5	21.5
Hog-corn price ratio, Omaha (bu.) 2/	22.9	15.9	16.1	14.3	19.6	18.8	18.7	16.4	15.2	15.7
Market prices ($ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	64.22	62.37	65.34	65.89	65.32	64.35	62.80	59.58	58.72	58.58
Utility cows, Omaha	39.96	39.35	39.81	42.17	36.56	39.09	42.79	43.16	42.30	41.97
Choice vealers, S. St. Paul	77.70	72.97	63.95	78.00	50.00	52.00	62.19	60.00	60.00	60.00
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	64.82	63.70	65.28	65.70	66.28	68.42	69.08	67.40	68.60	67.04
Slaughter hogs:										
Barrows & gilts, 7-markets	55.44	47.71	48.86	48.06	50.12	49.06	48.98	43.93	41.41	42.17
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	51.14	34.03	39.12	42.85	35.58	44.85	44.02	46.31	43.67	39.39
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	56.44	57.40	62.18	63.50	65.25	65.12	67.58	70.12	72.50	73.32
Ewes, Good, San Angelo	21.80	16.85	20.90	13.45	30.17	37.25	35.12	37.12	31.97	30.10
Feeder lambs:										
Choice, San Angelo	53.31	54.87	61.02	57.00	69.00	72.31	72.06	73.25	65.50	74.25
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	101.31	97.83	98.01	99.62	101.22	99.50	97.42	92.00	89.20	89.52
Canner & Cutter cow beef	78.96	78.48	74.70	75.85	70.31	76.26	80.52	80.94	77.22	78.06
Pork loins, 8-14 lb. 3/	111.51	--	96.36	95.31	95.40	97.69	93.49	84.22	79.90	84.03
Pork bellies, 12-14 lb.	76.54	60.58	60.08	57.38	64.31	67.50	64.14	64.25	58.83	58.64
Hams, skinned, 14-17 lb.	91.47	75.60	78.22	74.44	90.86	72.86	74.11	70.44	65.18	63.07
Commercial slaughter (thou. head)*										
Cattle	35,843	36,649	37,570	3,301	2,944	3,278	2,776	2,882	2,971	3,173
Steers	17,277	17,486	17,474	1,630	1,255	1,523	1,291	1,349	1,377	1,553
Heifers	10,394	10,758	10,691	896	895	962	856	905	979	981
Cows	7,354	7,597	8,617	702	735	732	578	569	554	567
Bulls & stags	818	808	788	73	59	61	51	59	61	72
Calves	3,021	3,076	3,292	255	268	288	253	279	270	264
Sheep & lambs	6,449	6,619	6,758	573	530	567	484	578	534	509
Hogs	82,190	87,584	85,156	7,367	6,994	7,342	6,397	7,134	7,381	7,563
Commercial production (mil. lb.)										
Beef	22,366	23,058	23,410	2,060	1,830	2,066	1,768	1,857	1,935	2,088
Veal	423	429	477	39	39	42	37	40	41	42
Lamb & mutton	356	368	372	31	30	32	28	33	30	29
Pork	14,121	15,120	14,718	1,281	1,220	1,281	1,105	1,232	1,288	1,328

	Annual			1984				1985		
	1982	1983	1984	I	II	III	IV	I	II	III
Cattle on feed (13-States)										
Number on feed (thou. head) 1/	9,028	10,271	9,908	9,908	9,340	8,700	9,000	10,635	9,676	--
Placed on feed (thou. head)	24,414	23,776	24,884	5,511	5,562	6,252	7,559	5,321	.	--
Marketings (thou. head)	21,799	22,548	22,525	5,714	5,620	5,684	5,507	5,907 5/	5,908	--
Other disappearance (thou. head)	1,373	1,591	1,632	365	582	268	417	373	--	--
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	42,890	44,150	42,420	44,150	40,070	41,915	43,180	42,420	39,530	41,450
Breeding (thou. head) 1/	5,708	5,638	5,348	5,638	5,446	5,771	5,550	5,348	5,215	5,397
Market (thou. head) 1/	37,182	38,512	37,072	38,512	34,624	36,144	37,630	37,072	34,315	36,053
Farrowings (thou. head)	9,062	9,735	9,020	1,964	2,481	2,259	2,316	1,935	2,420 3/	2,149
Pig crop (thou. head)	66,797	72,733	67,680	14,288	18,814	17,158	17,420	14,538	18,762	--

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs. 4/ Quarters are Dec. preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated.

Crops and Products

Food grains

	Marketing year 1/			1984		1985				
	1981/82	1982/83	1983/84	May	Dec	Jan	Feb	Mar	Apr	May
Wholesale prices										
Wheat, No. 1 HRW, Kansas City ($/bu.) 2/	4.27	3.94	3.83	3.72	3.76	3.76	3.74	3.67	3.62	3.34
Wheat, DNS, Minneapolis ($/bu.) 2/	4.17	3.94	4.21	4.39	3.48	3.47	3.52	3.55	3.64	3.35
Rice, S.W. La. ($/cwt.) 3/	20.20	18.00	19.38	19.25	18.00	18.00	18.00	18.00	18.00	18.00
Wheat										
Exports (mil. bu.)	1,771	1,509	1,429	121	134	109	93	65	76	63
Mill grind (mil. bu.)	631	656	694	54	53	57	57	59	54	n.a.
Wheat flour production (mil. cwt.)	280	292	308	24	23	25	26	26	24	n.a.

	Marketing year 1/			1983		1984				1985
	1981/82	1982/83	1983/84	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar
Wheat										
Stocks, beginning (mil. bu.)	989	1,159	1,515	1,515	2,955	2,326	1,756	1,398	2,740	2,141
Domestic use										
Food (mil. bu.)	602	616	635	210	161	163	102	212	167	161
Feed & seed (mil. bu.) 4/	254	318	477	316	118	44	31	395	59	48
Exports (mil. bu.)	1,771	1,509	1,429	475	362	364	226	645	374	266

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Feed grains

	Marketing year 1/			1984		1985				
	1981/82	1982/83	1983/84	May	Dec	Jan	Feb	Mar	Apr	May
Wholesale prices										
Corn, No. 2 yellow, St. Louis ($/bu.)	2.61	2.98	3.45	3.58	2.75	2.86	2.84	2.86	2.88	2.81
Sorghum, No. 2 yellow, Kansas City ($/cwt.)	4.29	4.96	5.13	5.39	4.32	4.48	4.33	4.58	4.76	4.74
Barley, feed, Minneapolis ($/bu.)	2.21	1.76	2.48	2.77	1.88	1.98	1.99	1.97	2.05	2.05
Barley, malting, Minneapolis ($/bu.)	3.06	2.53	2.84	3.06	2.36	2.46	2.47	2.51	2.52	2.55
Exports										
Corn (mil. bu.)	1,967	1,870	1,865	164	208	209	167	172	169	138
Feed grains (mil. metric tons) 2/	58.4	54.0	55.8	4.6	6.2	6.2	5.3	5.3	4.9	4.0

	Marketing year 1/			1983	1984				1985	
	1981/82	1982/83	1983/84	Oct-Dec	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May p
Corn										
Stocks, beginning (mil. bu.)	1,034	2,174	3,120	3,120	4,913	3,251	2,145	723	5,856	3,961
Domestic use:										
Feed (mil. bu.)	4,202	4,522	3,736	1,634	969	580	553	1,680	1,151	620
Food, seed, ind. (mil. bu.)	812	898	973	220	184	187	383	235	197	203
Feed grains 2/										
Stocks, beginning (mil. metric tons)	34.6	68.2	97.3	108.0	154.9	104.3	70.6	44.1	181.9	123.5
Domestic use:										
Feed (mil. metric tons)	128.5	139.5	117.4	49.3	29.4	18.1	20.3	53.5	35.6	19.0
Food, seed, ind. (mil. metric tons)	25.8	28.0	29.8	6.6	5.9	6.1	11.2	7.1	6.3	6.6

1/ Beginning October 1 for corn and sorghum; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.

Fats and oils

	Marketing year 1/			1984		1985				
	1981/82	1982/83	1983/84	May	Dec	Jan	Feb	Mar	Apr	May
Soybeans										
Wholesale price, No. 1 yellow, Chicago ($/bu.) 2/	6.24	6.11	7.78	8.54	5.97	5.95	5.88	5.92	6.00	5.76
Crushings (mil. bu.)	1,029.7	1,108.0	983	79.4	101.1	94.5	80.8	85.6	83.2	90.2
Exports (mil. bu.)	929.1	905.2	740.3	56.8	87.3	72.5	80.6	67.9	65.4	33.1
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	19.0	20.6	30.55	39.00	28.44	28.01	29.64	31.33	33.63	32.49
Production (mil. lb.)	10,979.4	12,040.4	10,872.0	906.3	1,095.5	1,027.4	878.9	946.0	917.5	994.8
Domestic disap. (mil. lb.)	9,536.3	9,857.3	9,598	875.0	708.8	854.4	840.3	769.4	894.8	898.6
Exports (mil. lb.)	2,076.3	2,024.7	1,814	208.3	189.6	66.7	198.3	184.8	66.8	52.4
Stocks, beginning (mil. lb.)	1,736.1	1,102.5	1,261	1,308.1	580.1	777.1	883.5	723.8	715.6	665.9
Soybean meal										
Wholesale price, 44% protein, Decatur ($/ton)	182.52	187.19	188.21	187.4	136.75	135.2	125.25	125.9	117.90	111.5
Production (thou. ton)	24,634.4	26,713.6	22,756.2	1,872.2	2,381.0	2,226.4	1,887.2	2,023.6	1,958.3	2,125.2
Domestic disap. (thou. ton)	17,714.4	19,306.0	17,541.0	1,548.1	1,694.2	1,728.3	1,440.9	1,496.8	1,583.7	1,727.2
Exports (thou. ton)	6,907.5	7,108.7	5,436.1	315.1	635.7	515.3	431.8	416.3	387.4	331.3
Stocks, beginning (thou. ton)	162.7	175.2	474	418.6	285.7	336.8	319.6	334.1	444.6	429.8
Margarine, wholesale price, Chicago (cts/lb.)	41.4	41.4	46.3	61.13	55.25	51.50	52.50	54.00	56.00	55.50

1/ Beginning September 1 for soybeans; October 1 for soymeal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Cotton

	Marketing year 1/			1984		1985				
	1981/82	1982/83	1983/84	May	Dec	Jan	Feb	Mar	Apr	May
U.S. price, SLM, 1-1/16 in. (cts/lb.) 2/	60.5	63.1	73.1	79.4	60.5	60.0	58.6	60.2	61.7	60.1
Northern Europe prices:										
Index (cts./lb.) 3/	73.8	76.7	87.6	88.9	72.0	71.4	69.2	67.3	66.3	65.1
U.S. M 1-3/32" (cts./lb.) 4/	75.9	78.0	87.1	91.3	74.0	74.7	72.9	73.7	75.9	74.8
U.S. mill consumption (thou. bales)	5,263.8	5,512.8	5,883.5	467.1	426.8	404.9	425.0	535.4	423.2	444.9
Exports (thou. bales)	6,567.3	5,206.8	6,786.0	644.1	660.0	835.6	810.6	648.5	577.8	453.0

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths.

Fruit

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Producer price indexes										
Fresh fruit (1967=100)	235.4	250.6	260.1	239.4	269.7	255.5	285.1	248.7	258.1	244.3
Dried fruit (1967=100)	409.7	409.3	384.4	404.5	353.2	353.1	355.8	355.8	356.2	362.2
Canned fruit & juice (1967=100)	283.7	286.8	312.5	313.6	315.9	319.9	323.4	326.1	325.5	325.1
Frozen fruit & juice (1967=100)	305.5	300.9	350.5	351.9	361.8	361.5	372.0	373.1	373.3	374.4
F.o.b. shipping point prices										
Apples, Yakima Valley ($/ctn.) 1/	n.a.	n.a.	n.a.	12.50	12.50	12.25	14.00	15.38	16.38	16.47
Pears, Yakima Valley ($/box) 2/	n.a.	n.a.	n.a.	6.88	12.88	12.83	15.13	15.00	15.50	12.14
Oranges, U.S. avg. ($/box) 3/	11.10	14.40	15.40	18.70	18.41	17.81	18.97	15.68	15.14	16.50
Grapefruit, U.S. avg. ($/box) 3/	9.03	9.13	10.00	11.20	11.34	11.11	13.18	11.53	11.24	20.75

	Year ending			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Stocks, ending										
Fresh apples (mil. lb.)	3,082.3	2,980.1	3,171.5	396.8	3,171.5	2,464.2	1,858.1	1,372.3	910.4	485.1
Fresh pears (mil. lb.)	180.9	250.6	184.9	36.7	180.8	134.2	89.9	59.2	34.1	10.3
Frozen fruit (mil. lb.)	627.5	644.7	694.5	406.5	690.5	623.6	569.2	512.1	458.5	442.7
Frozen fruit juices (mil. lb.)	1,157.6	924.9	941.9	1,462.4	964.9	1,195.6	1,385.8	1,472.4	1,579.0	1,685.1

1/ Red Delicious, Washington, extra fancy, carton tray pack, 80-113's. 2/ D'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 3/ F.O.B. packed fresh. n.a. = not available.

Vegetables

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Wholesale prices										
Potatoes, white, f.o.b. East ($/cwt.)	6.05	7.76	8.16	7.05	5.53	5.55	6.15	6.26	6.92	8.15
Iceberg lettuce ($/crtn.) 1/	5.92	6.29	5.08	3.17	5.60	7.75	4.31	4.52	4.87	3.92
Tomatoes ($/crtn.) 2/	7.40	8.69	8.52	7.75	5.25	9.56	11.00	17.00	11.40	4.17
Wholesale price index, 10 canned veg. (1977=100)	137	137	145	146	144	154	152	142	143	144
Grower price index, fresh commercial veg. (1977=100)	120	129	133	117	108	126	137	158	118	106

1/ Std. carton 24's f.o.b. shipping point. 2/ 5 x 6 - 6 x 6, f.o.b. Fla-Cal.

Tobacco

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Prices at auctions 1/										
Flue-cured (cts./lb.)	178.6	177.9	181.0	--	--	--	--	--	--	--
Burley (cts./lb.)	180.3	179.5	187.6	--	187.5	187.5	186.0	--	--	--
Domestic consumption 2/										
Cigarettes (bil.)	634.0	600.0	600.4	54.4	42.9	58.2	55.7	58.2	n.a.	n.a.
Large cigars (mil.)	3,667	3,605	3,491	309.9	277.4	234.9	209.6	248.3	n.a.	n.a.

1/ Crop year July-June for flue-cured, October-September for burley. 2/ Taxable removals. n.a. = not available.

Sugar

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
U.S. raw sugar price, N.Y. (cts./lb.) 1/	19.92	22.04	21.74	22.01	21.10	20.72	20.38	20.91	20.93	21.09
U.S. deliveries (thou. short tons) 2/	9,153	8,812	8,435	n.a.	2,059	n.a.	n.a.	1,910	n.a.	n.a.

1/ Spot price reported by (New York) Coffee, Sugar, and Cocoa Exchange, Inc. 2/ Raw value. Quarterly data shown at end of quarter in March, June, Sept., & Dec. Excludes Hawaii. n.a. = not available.

Coffee

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May p
Composite green price, N.Y. (cts./lb.)	132.00	131.51	142.95	147.76	136.12	137.91	138.29	136.31	134.61	134.64
Imports, green bean equivalent (mil.lb.) 1/	2,352	2,260	2,414	217	160	230	235	227	193	175

	Annual			1983	1984				1985	
	1982	1983	1984	Oct-Dec	Jan-Mar	Apr-June	July-Sept	Oct-Dec	Jan-Mar	Apr-June p
Roastings (mil. lb.) 2/	2,293	2,238	2,287	650	575	518	557	637	573	525 F

1/ Green and processed coffee. 2/ Instant soluble and roasted coffee. F = Forecast. p = preliminary.

Supply and utilization: domestic measure[1]

	Area: Planted	Area: Harvested	Yield	Production	Total supply 2/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 3/
	Mil. acres		Bu/acre	Mil. bu							$/bu
Wheat											
1981/82	88.3	80.6	34.5	2,785	3,777	135	712	1,771	2,618	1,159	3.65
1982/83	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515	3.55
1983/84*	76.4	61.4	39.4	2,420	3,939	376	735	1,429	2,540	1,399	3.53
1984/85*	79.2	66.9	38.8	2,595	4,002	419	735	1,424	2,578	1,424	3.38
1985/86*	--	--	--	2,400	3,829	350	750	1,200	2,300	1,529	3.20-3.40
	Mil. acres		lb/acre	Mil. cwt (rough equiv.)							$/cwt
Rice											
1981/82	3.83	3.79	4,819	182.7	199.6	4/ 9.0	59.6	82.0	150.6	49.0	9.05
1982/83	3.30	3.26	4,710	153.6	203.4	4/ 8.9	54.0	68.9	131.8	71.5	8.11
1983/84*	2.19	2.17	4,598	99.7	171.9	4/ 5.6	49.1	70.3	125.0	46.9	8.76
1984/85*	2.80	2.78	4,926	137.0	185.4	4/ 5.0	53.7	62.0	120.7	64.7	8.25
1985/86*	--	--	--	125.0	191.7	4/ 5.0	55.0	59.0	119.0	72.7	7.80-8.80
	Mil. acres		Bu/acre	Mil. bu							$/bu
Corn											
1981/82	84.1	74.5	108.9	8,119	9,154	4,202	812	1,967	6,980	2,174	2.50
1982/83	81.9	72.7	113.2	8,235	10,410	4,522	898	1,870	7,290	3,120	2.68
1983/84*	60.2	51.5	81.1	4,175	7,297	3,736	973	1,865	6,574	723	3.25
1984/85*	80.4	71.8	106.6	7,656	8,382	4,150	1,050	1,950	7,150	1,232	2.65
1985/86*	--	--	--	8,075	9,308	4,300	1,110	1,700	7,110	2,198	2.45-2.65
	Mil. acres		Bu/acre	Mil. bu							$/bu
Sorghum											
1981/82	15.9	13.7	64.0	876	984	428	11	249	688	296	2.38
1982/83	16.0	14.1	59.1	835	1,131	507	10	214	731	400	2.52
1983/84*	11.9	10.0	48.7	488	888	381	10	246	637	251	2.84
1984/85*	17.2	15.3	56.4	866	1,117	525	20	275	820	297	2.40
1985/86*	--	--	--	900	1,197	525	20	275	820	377	2.30-2.50
	Mil. acres		Bu/acre	Mil. bu							$/bu
Barley											
1981/82	9.6	9.0	52.4	474	620	198	174	100	473	148	2.44
1982/83	9.5	9.0	57.2	516	675	241	170	47	458	217	2.22
1983/84*	10.4	9.7	52.3	509	733	283	169	92	544	189	2.50
1984/85*	11.9	11.2	53.4	597	796	299	172	77	548	248	2.30
1985/86*	13.1	12.3	51.3	632	890	300	170	65	535	336	2.10-2.30
	Mil. acres		Bu/acre	Mil. bu							$/bu
Oats											
1981/82	13.6	9.4	54.2	510	688	453	76	7	536	152	1.89
1982/83	14.0	10.3	57.8	593	749	441	85	3	529	220	1.49
1983/84*	20.3	9.1	52.6	477	727	466	78	2	546	181	1.67
1984/85*	12.4	8.1	58.1	472	683	428	74	1	503	180	1.71
1985/86*	13.1	8.8	56.7	499	699	425	80	2	507	192	1.45-1.65
	Mil. acres		Bu/acre	Mil. bu							$/bu
Soybeans											
1981/82	67.8	66.4	30.1	2,000	2,318	5/ 93	1,030	929	2,052	266	6.04
1982/83	70.9	69.4	31.5	2,190	2,444	5/ 86	1,108	905	2,099	345	5.69
1983/84*	63.8	62.5	26.2	1,636	1,981	5/ 79	983	743	1,805	176	7.81
1984/85*	67.7	66.1	28.2	1,861	2,037	5/ 82	1,025	645	1,752	285	5.85
1985/86*	--	--	--	1,900	2,185	5/ 85	1,035	675	1,795	390	5.25-5.95
				Mil. lbs							¢/lb
Soybean oil											
1981/82	--	--	--	10,979	12,715	--	9,535	2,077	11,612	1,103	19.0
1982/83	--	--	--	12,041	13,144	--	9,858	2,025	11,883	1,261	20.6
1983/84*	--	--	--	10,872	12,133	--	9,589	1,823	11,412	721	30.6
1984/85*	--	--	--	11,364	12,090	--	9,800	1,650	11,450	640	31.0
1985/86*	--	--	--	11,335	11,975	--	9,900	1,350	11,250	725	26.0-32.0
				Thou. tons							$/ton
Soybean meal											
1981/82	--	--	--	24,634	24,797	--	17,714	6,908	24,622	175	183
1982/83	--	--	--	26,714	26,889	--	19,306	7,109	26,415	474	187
1983/84*	--	--	--	22,758	23,232	--	17,618	5,359	22,977	255	188
1984/85*	--	--	--	24,370	24,625	--	19,500	4,500	24,050	625	122
1985/86*	--	--	--	24,500	25,500	--	19,900	4,600	24,500	625	100-130

See footnotes at end of table.

Supply and utilization: domestic measure, continued

	Area: Planted	Area: Harvested	Yield	Production	Total supply 2/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 3/
	Mil. acres		lb/acre				Mil. bales				¢/lb
Cotton											
1981/82	14.3	13.8	542	15.6	18.3	—	5.3	6.6	11.8	6/ 6.6	54.0
1982/83	11.3	9.7	590	12.0	18.6	—	5.5	5.2	10.7	6/ 7.9	59.1
1983/84*	7.9	7.3	508	7.8	15.7	—	5.9	6.8	12.7	6/ 2.8	66.0
1984/85*	11.1	10.4	600	13.0	15.8	—	5.3	6.5	11.8	6/ 4.0	—
1985/86*	10.8	—	—	12.0	16.0	—	5.0	5.0	10.0	6/ 6.2	—

Supply and utilization: metric measure 7/

	Planted	Harvested	Yield	Production	Total supply 2/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 3/
	Mil. hectares		Metric tons/ha				Mil. metric tons				$/metric ton
Wheat											
1981/82	35.7	32.6	2.32	75.8	102.8	3.7	19.4	48.2	71.3	31.5	134
1982/83	34.9	31.5	2.39	75.3	107.0	5.3	19.4	41.1	65.8	41.2	130
1983/84*	30.9	24.8	2.65	65.9	107.2	10.2	20.0	38.9	69.1	38.1	130
1984/85*	32.1	27.1	2.61	70.6	108.9	11.4	20.0	38.7	70.2	38.7	124
1985/86*	—	—	—	65.3	104.2	9.5	20.4	32.6	62.6	41.6	117-125
							Mil. metric tons (rough equiv.)				
Rice											
1981/82	1.5	1.5	5.40	8.3	9.0	4/ 0.4	2.7	3.7	6.8	2.2	200
1982/83	1.3	1.3	5.28	7.0	9.2	4/ 0.4	2.5	3.1	6.0	3.2	179
1983/84*	0.9	0.9	5.15	4.5	7.8	4/ 0.2	2.2	3.2	5.7	2.1	193
1984/85*	1.1	1.1	5.52	6.2	8.4	4/ 0.3	2.4	2.8	5.5	2.9	182
1985/86*	—	—	—	5.7	8.7	4/ 0.3	2.5	2.7	5.4	3.3	172-194
							Mil. metric tons				
Corn											
1981/82	34.0	30.1	6.85	206.2	232.5	106.7	20.6	50.0	177.3	55.2	98
1982/83	33.1	29.4	7.12	209.2	264.4	114.9	22.8	47.5	185.2	79.2	106
1983/84*	24.4	20.8	5.10	106.0	185.4	94.9	24.7	47.4	167.0	18.4	128
1984/85*	32.5	29.1	6.68	194.5	212.9	105.4	26.7	49.5	181.6	31.3	104
1985/86*	—	—	—	205.1	236.4	109.2	28.2	43.2	180.6	55.8	96-104
Feed Grain											
1981/82	49.9	43.1	5.71	246.2	281.1	128.5	25.8	58.6	212.9	68.2	—
1982/83	49.1	42.9	5.83	250.2	318.7	139.4	28.0	54.0	221.4	97.3	—
1983/84*	41.6	32.5	4.20	136.4	234.4	117.5	29.8	55.7	202.9	31.5	—
1984/85*	49.3	43.1	5.48	236.3	268.5	131.5	32.0	58.2	221.7	46.8	—
1985/86*	—	—	—	249.0	296.4	135.3	33.6	51.6	220.4	75.9	—
Soybeans											
1981/82	27.4	26.9	2.03	54.4	63.1	5/ 2.5	28.0	25.3	55.8	7.2	222
1982/83	28.7	28.1	2.15	59.6	66.5	5/ 2.4	30.2	24.6	57.1	9.4	209
1983/84*	25.8	25.3	1.23	44.5	53.9	5/ 2.2	26.8	20.2	49.1	4.8	286
1984/85*	27.4	26.7	1.14	50.6	55.4	5/ 2.2	27.9	17.5	47.7	7.7	214
1985/86*	—	—	—	51.7	59.5	5/ 2.3	28.1	18.4	48.8	10.6	193-218
Soybean oil											
1981/82	—	—	—	4.98	5.77	—	4.33	.94	5.27	.50	419
1982/83	—	—	—	5.46	5.96	—	4.47	.92	5.39	.57	454
1983/84*	—	—	—	4.93	5.50	—	4.35	.83	5.17	.32	675
1984/85*	—	—	—	5.15	5.48	—	4.44	.75	5.19	.29	683
1985/86*	—	—	—	5.14	5.43	—	4.49	.61	5.10	.33	573-705
Soybean meal											
1981/82	—	—	—	22.36	22.51	—	16.08	6.27	22.35	.16	201
1982/83	—	—	—	24.24	24.39	—	17.52	6.45	23.96	.43	206
1983/84*	—	—	—	20.65	21.08	—	15.98	4.86	20.84	.23	207
1984/85*	—	—	—	22.10	22.33	—	17.69	4.08	21.82	.61	134
1985/86*	—	—	—	22.22	23.13	—	18.05	4.17	22.22	.57	110-118
											$/kg
Cotton											
1981/82	5.8	5.7	.60	3.41	3.99	—	1.15	1.43	2.58	6/ 1.44	1.19
1982/83	4.6	3.9	.66	2.60	4.05	—	1.20	1.13	2.33	6/ 1.73	1.30
1983/84*	3.2	3.0	.57	1.69	3.42	—	1.29	1.48	2.77	6/ .60	1.46
1984/85*	4.5	4.2	.67	2.83	3.43	—	1.15	1.41	2.57	6/ .88	—
1985/86*	4.4	—	—	2.62	3.50	—	1.09	1.09	2.18	6/ 1.34	—

*July 10, 1985 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, and October 1 for corn, sorghum, soymeal, and soyoil. 2/ Includes imports. 3/ Season average. 4/ Statistical discrepancy. 5/ Includes seed. 6/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks. 7/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8944 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton.

Gross national product and related data

	Annual			1984				1985
	1982	1983	1984	I	II	III	IV	I r
	$ Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product 1/	3,069.3	3,304.8	3,662.8	3,553.3	3,644.7	3,694.6	3,758.7	3,810.6
Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,276.5	2,332.7	2,361.4	2,396.5	2,446.5
Durable goods	245.1	279.8	318.8	310.9	320.7	317.2	326.3	334.8
Nondurable goods	757.5	801.7	856.9	841.3	858.3	861.4	866.5	877.3
Clothing & shoes	118.8	127.0	140.2	136.1	142.2	139.3	143.2	145.5
Food & beverages	392.8	416.5	443.6	433.9	442.1	448.6	449.8	457.3
Services	982.2	1,074.4	1,166.1	1,124.4	1,153.7	1,182.8	1,203.8	1,234.4
Gross private domestic investment	414.9	471.6	637.8	623.8	627.0	662.8	637.8	646.8
Fixed investment	441.0	485.1	579.6	550.0	576.4	591.0	601.1	606.1
Nonresidential	349.6	352.9	425.7	398.8	420.8	435.7	447.7	450.9
Residential	91.4	132.2	153.9	151.2	155.6	155.3	153.5	155.2
Change in business inventories	-26.1	-13.5	58.2	73.8	50.6	71.8	36.6	40.7
Net exports of goods & services	19.0	-8.3	-64.2	-51.5	-58.7	-90.6	-56.0	-74.5
Exports	348.4	336.2	364.3	358.9	362.4	368.6	367.2	360.7
Imports	329.4	344.4	428.5	410.4	421.1	459.3	423.2	435.2
Government purchases of goods & services	650.5	685.5	747.4	704.4	743.7	761.0	780.5	791.9
Federal	258.9	269.7	295.4	267.6	296.4	302.0	315.7	319.9
State & local	391.5	415.8	452.0	436.8	447.4	458.9	464.8	472.0
	1972 $Bil. (Quarterly data seasonally adjusted at annual rates)							
Gross national product	1,480.0	1,534.7	1,639.3	1,610.9	1,638.8	1,645.2	1,662.4	1,663.5
Personal consumption expenditures	963.3	1,009.2	1,062.4	1,044.1	1,064.2	1,065.9	1,075.4	1,089.1
Durable goods	140.5	157.5	178.0	173.7	178.6	177.0	182.9	187.0
Nondurable goods	363.1	376.3	393.5	387.1	396.6	395.5	395.0	398.6
Clothing & shoes	84.2	88.5	96.5	94.2	99.1	95.9	96.9	97.9
Food & beverages	182.3	188.9	193.4	189.7	193.6	195.6	194.7	196.8
Services	459.8	475.4	490.8	483.4	488.9	493.5	497.5	503.5
Gross private domestic investment	194.3	221.0	289.9	285.5	283.9	300.2	289.9	292.1
Fixed investment	204.7	224.6	265.1	253.9	263.7	269.6	273.1	273.0
Nonresidential	166.9	171.0	204.9	193.3	202.9	209.5	213.8	213.0
Residential	37.9	53.7	60.2	60.6	60.8	60.1	59.2	60.0
Change in business inventories	-10.4	-3.6	24.8	31.6	20.3	30.6	16.8	19.1
Net exports of goods & services	29.7	12.6	-15.0	-8.3	-11.4	-27.0	-13.4	-28.4
Exports	147.6	139.5	146.0	144.9	144.7	147.4	147.1	143.7
Imports	118.0	126.9	161.1	153.2	156.2	174.4	160.5	172.1
Government purchases of goods & services	292.7	291.9	302.1	289.5	302.1	306.1	310.5	310.7
Federal	117.0	116.2	122.5	112.2	123.2	125.0	129.6	129.8
State & local	175.7	175.7	179.6	177.3	178.9	181.1	180.9	180.9
New plant & equipment expenditures ($bil.)	310.58	304.78	353.54	337.48	348.34	361.12	367.21	371.16
Implicit price deflator for GNP (1972=100)	207.38	215.34	223.43	220.58	222.40	224.57	226.10	229.07
Disposable income ($bil.)	2,180.5	2,340.1	2,576.8	2,502.2	2,554.3	2,606.4	2,644.5	2,654.8
Disposable income (1972 $bil.)	1,058.3	1,095.4	1,169.0	1,147.6	1,165.3	1,176.5	1,186.7	1,181.9
Per capita disposable income ($)	9,385	9,977	10,887	10,608	10,806	11,000	11,133	11,154
Per capita disposable income (1972 $)	4,555	4,670	4,939	4,865	4,930	4,965	4,996	4,965
U.S. population, total, incl. military abroad (mil.)	232.3	234.5	236.7	235.9	236.4	237.0	237.6	238.1
Civilian population (mil.)	230.2	232.3	234.4	233.7	234.2	234.8	235.3	235.9

See footnotes at end of next table.

Selected monthly indicators

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May p
	Monthly data seasonally adjusted except as noted									
Industrial production,										
total 2/ (1967=100)	138.6	147.6	163.3	162.8	164.8	165.1	165.4	165.9	165.5	165.3
Manufacturing (1967=100)	137.6	148.2	164.8	164.2	166.6	166.6	166.6	167.3	167.0	166.9
Durable (1967=100)	124.7	134.5	154.6	153.3	157.6	157.6	158.0	158.9	158.2	158.0
Nondurable (1967=100)	156.2	168.1	179.4	179.9	179.6	179.6	179.1	179.4	179.8	179.7
Leading economic indicators 1/ 3/ (1967=100)	136.8	156.0	165.7	168.2	164.1	166.3	167.7	167.6	166.6	167.8
Employment 4/ (mil. persons)	99.5	100.8	105.0	105.2	106.3	106.4	106.7	107.1	106.9	107.0
Unemployment rate 4/ (%)	9.7	9.6	7.5	7.4	7.2	7.3	7.2	7.2	7.2	7.2
Personal income 1/ ($ bil. annual rate)	2,584.6	2,744.2	3,012.1	2,978.8	3,111.8	3,129.2	3,146.0	3,156.2	3,188.7	3,172.2
Hourly earnings in manufacturing 4/ 5/ ($)	8.49	8.83	9.17	9.12	9.33	9.42	9.42	9.45	9.48	9.48
Money stock-M1 (daily avg.) ($bil.) 2/	6/ 480.8	6/ 528.0	6/ 558.5	542.5	558.5	562.7	569.4	572.1	574.9	581.6
Money stock-M2 (daily avg.) ($bil) 2/	6/ 1,954.9	6/ 2,188.8	6/ 2,371.4	2,255.2	2,371.7	2,398.9	2,421.0	2,429.2	2,427.5	2,444.5
Three-month Treasury bill rate 2/ (%)	10.686	8.63	9.58	9.90	8.16	7.76	8.22	8.57	8.00	7.56
Aaa corporate bond yield (Moody's) 5/ 7/ (%)	13.79	12.04	12.71	13.28	12.13	12.08	12.13	12.56	12.23	11.72
Interest rate on new home mortgages 5/ 8/ (%)	15.14	12.57	12.38	12.18	12.55	12.27	12.21	11.92	12.05	12.06
Housing starts, private (incl. farm) (thou.)	1,062	1,703	1,750	1,787	1,630	1,849	1,647	1,889	1,927	1,663
Auto sales at retail, total 1/ (mil.)	8.0	9.2	10.4	10.8	10.9	10.9	11.0	10.7	11.1	11.3
Business sales, total 1/ ($ bil.)	344.7	368.7	411.7	412.5	421.6	417.4	418.7	420.8	425.7 p	—
Business inventories, total 1/ ($ bil.)	9/ 509.2	9/ 520.3	9/ 573.4	550.5	573.4	575.8	578.9	578.8	581.3 p	—
Sales of all retail stores ($ bil.) 10/	89.3	97.9	108.1	107.9	110.5	111.0	112.1	111.9	114.6 p	113.7
Durable goods stores ($ bil.)	28.1	33.0	38.7	38.7	40.3	40.6	41.1	40.8	42.6 p	41.6
Nondurable goods stores ($ bil.)	61.3	64.8	69.4	69.3	70.2	70.4	71.0	71.1	72.0 p	72.0
Food stores ($ bil.)	20.4	21.2	22.5	22.4	22.6	23.1	23.1	23.0	23.3 p	23.1
Eating & drinking places ($ bil.)	8.7	9.6	10.3	10.2	10.6	10.5	10.6	10.8	10.7 p	10.8
Apparel & accessory stores ($ bil.)	4.6	5.0	5.6	5.6	5.8	5.5	5.8	6.0	5.9 p	5.8

1/ Department of Commerce. 2/ Board of Governors of the Federal Reserve System. 3/ Composite index of 12 leading indicators. 4/ Department of Labor, Bureau of Labor Statistics. 5/ Not seasonally adjusted. 6/ December of the year listed. 7/ Moody's Investors Service. 8/ Federal Home Loan Bank Board. 9/ Book value, end of period. 10/ Adjusted for seasonal variations, holidays, and trading day differences. p = preliminary. r = revised

U.S. Agricultural Trade

Prices of principal U.S. agricultural trade products

	Annual			1984		1985				
	1982	1983	1984	May	Dec	Jan	Feb	Mar	Apr	May
Export commodities										
Wheat, f.o.b. vessel, Gulf ports ($/bu.)	4.38	4.30	4.17	4.19	4.08	4.06	4.03	3.97	3.97	3.77
Corn, f.o.b. vessel, Gulf ports ($/bu.)	2.80	3.49	3.50	3.73	2.98	3.08	3.06	3.10	3.10	3.00
Grain sorghum, f.o.b. vessel, Gulf ports ($/bu.)	2.81	3.34	3.00	3.39	2.76	2.93	2.88	2.99	3.04	2.90
Soybeans, f.o.b. vessel, Gulf ports ($/bu.)	6.36	7.31	7.38	8.81	6.25	6.30	6.20	6.28	6.29	6.03
Soybean oil, Decatur (cts./lb.)	18.33	23.51	30.75	38.66	28.55	27.58	29.42	31.35	34.07	32.41
Soybean meal, Decatur ($/ton)	179.70	200.91	166.80	188.45	136.18	136.13	126.45	125.76	117.86	111.98
Cotton, 10 market avg. spot (cts./lb.)	60.10	68.68	68.37	79.44	60.45	59.96	58.65	60.18	61.67	60.11
Tobacco, avg. price of auction (cts./lb.)	172.20	173.96	173.99	166.06	185.04	181.01	177.10	178.14	177.56	175.84
Rice, f.o.b. mill, Houston ($/cwt.)	18.89	19.39	19.47	19.50	18.75	18.75	18.75	18.75	18.75	18.75
Inedible tallow, Chicago (cts./lb.)	12.85	13.41	17.47	19.13	17.50	17.50	17.50	17.50	17.70	16.19
Import commodities										
Coffee, N.Y. spot ($/lb.)	1.41	1.33	1.46	1.48	1.38	1.40	1.45	1.41	1.38	1.38
Sugar, N.Y. spot (cts./lb.)	19.86	22.04	21.74	22.00	21.10	20.72	20.38	20.90	20.97	21.09
Rubber, N.Y. spot (cts./lb.)	45.48	56.19	49.70	51.16	42.24	42.04	42.11	41.45	42.13	40.93
Cocoa beans, N.Y. ($/lb.)	.75	.92	1.06	1.19	.96	.98	1.00	.99	1.02	.96
Bananas, ($/40lb. box)	6.80	7.93	6.70	7.73	5.43	6.83	8.03	8.23	8.79	8.30

p = preliminary.

U.S. agricultural exports

	October-May				May			
	1983/84	1984/85	1983/84	1984/85	1984	1985	1984	1985
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Animals, live (no.)	504	721	148,571	168,234	72	76	14,935	11,118
Meats & Preps., excl. poultry (mt)	288	277	636,885	604,244	35	33	77,853	73,730
Dairy products (mt)	260	258	249,813	264,924	34	34	33,926	40,683
Poultry meats (mt)	143	156	183,541	175,306	17	19	21,035	20,328
Fats, oils, & greases (mt)	980	814	473,033	425,963	130	116	70,286	58,464
Hides & skins incl. furskins	--	--	911,678	924,042	--	--	126,596	94,205
Cattle hides, whole (no.)	16,425	16,748	664,625	677,416	2,327	1,899	98,588	74,649
Mink pelts (no.)	2,142	1,774	56,888	50,034	302	179	6,878	4,197
Grains & feeds (mt)	72,787	70,666	11,764,797	10,051,049	8,597	6,382	1,414,096	929,307
Wheat (mt)	24,621	20,160	3,933,183	3,080,658	3,070	1,540	485,584	240,660
Wheat flour (mt)	804	557	167,704	124,611	162	80	37,795	18,733
Rice (mt)	1,458	1,262	585,858	442,382	210	165	73,395	61,403
Feed grains, excl.products (mt)	40,506	43,539	5,996,399	5,456,785	4,588	3,989	695,366	501,400
Feeds & fodders (mt)	4,859	4,445	863,052	692,930	509	506	96,707	75,316
Other grain products (mt)	539	703	218,601	253,683	58	102	25,249	31,795
Fruits & preps. excl. juices (mt)	1,101	994	682,770	663,286	139	135	93,050	88,039
Fruit juices (hl)	3,683	3,051	143,905	131,696	470	439	19,114	19,395
Nuts & preps. (mt)	252	337	378,182	477,981	25	29	43,407	45,172
Vegetables & preps. (mt)	1,092	1,000	716,042	662,492	160	113	93,060	75,633
Tobacco, unmanufactured (mt)	178	203	1,133,230	1,261,480	13	8	79,219	47,328
Cotton, excl. linters (mt)	1,134	1,048	1,804,920	1,614,496	140	99	229,336	143,134
Seeds (mt)	194	221	248,083	271,149	22	23	20,962	20,274
Sugar, cane or beet (mt)	223	210	58,328	42,509	34	19	8,509	3,350
Oilseeds & products (mt)	21,919	19,907	6,918,046	5,169,197	2,224	1,375	754,832	343,973
Oilseeds (mt)	16,725	15,712	5,112,182	3,825,226	1,778	1,003	567,082	242,073
Soybeans (mt)	15,712	14,734	4,687,760	3,483,970	1,547	901	475,856	208,507
Protein meal (mt)	4,137	3,239	1,012,182	616,956	303	317	71,006	54,263
Vegetable oils (mt)	1,058	955	793,681	727,015	144	56	116,744	47,637
Essential oils (mt)	7	8	68,777	72,593	1	1	7,153	8,777
Other	--	--	755,966	718,523	--	--	86,694	86,519
Total	--	--	27,276,567	23,699,164	--	--	3,194,063	2,109,429

Indexes of nominal and real trade-weighted dollar exchange rates

	1984							1985				
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	April 1971=100											
Total agriculture												
Nominal 1/	710.1	770.3	823.2	899.3	938.9	1,067.0	1,152.2	1,281.5	1,404.0	1,525.5	1,706.5	1,861.0
Real 2/	98.0	100.2	100.6	102.9	103.5	102.5	104.2*	106.1*	108.8*	108.8*	105.1*	105.5*
Soybeans												
Nominal	162.4	166.8	168.0	172.6	175.6	175.2	180.6	185.1	191.9	194.5	187.8	190.3
Real	93.4	96.5	97.4	100.7	101.6	99.6	102.1*	103.4*	107.3*	107.1*	101.8*	102.3*
Wheat												
Nominal	3,304.7	3,645.3	3,957.5	4,394.5	4,612.4	5,378.4	5,864.8	6,598.2	7,285.2	7,988.1	9,092.9	9,996.1
Real	104.1	104.4	104.5	105.5	105.2	106.4	106.9*	108.9*	110.5*	110.5*	110.6*	110.7*
Corn												
Nominal	684.1	740.4	789.2	860.0	897.8	1,013.2	1,092.5	1,211.9	1,326.1	1,437.7	1,598.6	1,740.2
Real	96.5	99.4	100.3	103.2	104.1	102.5	104.7*	106.1*	109.2*	109.1*	104.3*	104.8*
Cotton												
Nominal	187.2	190.3	191.1	195.5	197.0	197.6	207.0	209.3	211.5	212.9	211.3	212.8
Real	94.2	95.6	96.1	97.0	97.8	98.0	99.1*	100.0*	101.6*	102.3*	101.3*	102.1*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months.

U.S. agricultural exports by regions

Region & country	October-May 1983/84	October-May 1984/85	May 1984	May 1985	Change from year earlier: October-May	Change from year earlier: May
	$ Mil.				Percent	
Western Europe	7,379	5,590	616	361	-24	-41
European Community	5,301	4,182	475	288	-21	-39
Belgium-Luxembourg	621	339	34	17	-45	-50
France	417	309	54	19	-26	-65
Germany, Fed. Rep.	1,072	709	56	34	-34	-39
Italy	606	561	61	35	-7	-43
Netherlands	1,818	1,537	189	120	-15	-37
United Kingdom	551	471	42	42	-15	0
Other Western Europe	2,079	1,409	142	73	-32	-49
Portugal	555	372	50	10	-33	-80
Spain, incl. Canary Is.	1,028	644	60	33	-37	-45
Switzerland	258	199	13	15	-23	15
Eastern Europe	512	424	74	28	-17	-62
German Dem. Rep.	108	79	17	3	-27	-82
Poland	145	96	18	10	-34	-44
USSR	1,843	2,439	226	249	32	10
Asia	10,722	8,642	1,323	820	-19	-38
West Asia (Mideast)	1,213	1,067	156	92	-12	-41
Turkey	136	121	31	6	-11	-81
Iraq	257	280	62	23	9	-63
Israel	249	214	19	14	-14	-26
Saudi Arabia	321	265	29	26	-17	-10
South Asia	692	414	101	12	-40	-88
India	331	93	7	5	-72	-29
Pakistan	202	111	64	5	-45	-92
East & Southeast Asia	8,816	7,161	1,064	716	-19	-33
China	437	174	31	5	-60	-84
Taiwan	1,029	999	131	79	-3	-40
Japan	4,937	4,179	592	412	-15	-30
Korea, Rep.	1,295	957	156	119	-26	-24
Hong Kong	275	263	32	30	-4	-6
Indonesia	318	146	62	17	-54	-73
Philippines	159	178	29	31	12	7
Africa	1,888	1,808	323	208	-4	-36
North Africa	950	950	179	101	0	-44
Morocco	184	113	30	9	-39	-70
Algeria	118	174	24	24	47	0
Egypt	584	614	115	68	5	-41
Sub-Sahara	938	858	144	107	-9	-26
Nigeria	252	269	41	21	7	-49
Rep. S. Africa	415	163	52	11	-61	-79
Latin America & Caribbean	3,500	3,475	412	294	-1	-29
Brazil	275	454	16	18	65	13
Caribbean	546	521	74	65	-5	-12
Colombia	154	165	16	22	7	38
Mexico	1,358	1,416	164	89	4	-46
Peru	168	78	33	3	-54	-91
Venezuela	514	462	58	49	-10	-16
Canada	1,284	1,167	206	142	-9	-31
Oceania	150	153	16	7	2	-56
Total 1/	27,277	23,699	3,194	2,109	-13	-34

1/ Totals may not add due to rounding.

U.S. agricultural imports

	October-May				May			
	1983/84	1984/85	1983/84	1984/85	1984	1985	1984	1985
	Thou. units		$ Thou.		Thou. units		$ Thou.	
Animals, live (no.)	1,251	1,593	411,118	426,735	148	179	34,513	44,444
Meats & preps., excl. poultry (mt)	577	710	1,236,982	1,436,908	73	97	151,652	189,994
Beef & veal (mt)	356	412	759,754	819,285	37	60	80,281	120,317
Pork (mt)	203	276	434,371	569,015	34	34	66,319	63,655
Dairy products (mt)	236	287	503,313	505,577	33	22	59,287	48,780
Poultry products	---	---	82,421	62,313	---	---	8,171	8,135
Fats, oils, & greases (mt)	12	14	8,097	12,197	2	2	1,210	1,526
Hides & skins, incl. furskins	---	---	151,471	181,292	---	---	16,277	13,807
Wool, unmanufactured (mt)	43	30	142,055	101,781	7	4	21,655	12,427
Grains & feeds (mt)	1,110	1,374	347,205	397,045	120	154	37,111	45,177
Fruits, nuts, & preps.	---	---	1,521,129	1,965,345	---	---	256,131	258,121
Bananas & plantains (mt)	1,922	2,007	469,981	499,370	240	290	59,880	72,777
Vegetables & preps. (mt)	1,674	1,675	983,227	1,029,989	173	196	113,151	126,995
Tobacco, unmanufactured (mt)	125	123	373,100	361,704	12	16	37,350	46,788
Cotton, unmanufactured (mt)	20	24	9,432	12,941	2	3	1,079	1,550
Seeds (mt)	75	81	78,535	66,986	10	15	13,161	10,263
Nursery stock & cut flowers	---	---	198,830	219,986	---	---	27,314	28,749
Sugar, cane or beet (mt)	2,101	1,690	835,658	669,231	185	216	68,379	77,689
Oilseeds & products (mt)	850	824	549,161	540,622	94	119	74,175	69,755
Oilseeds (mt)	175	174	72,044	69,901	19	24	7,868	8,732
Protein meal (mt)	91	106	16,583	11,486	12	13	2,019	1,289
Vegetable oils (mt)	585	544	460,535	459,235	64	82	64,289	59,734
Beverages excl. fruit juices (hl)	8,627	9,666	979,206	1,020,320	1,062	1,404	120,855	143,965
Coffee, tea, cocoa, spices (mt)	1,196	1,262	3,145,619	3,357,816	169	149	461,499	394,619
Coffee, incl. products (mt)	758	725	2,191,875	2,111,788	100	81	299,900	232,743
Cocoa beans & products (mt)	303	396	675,602	927,452	53	52	123,840	122,152
Rubber & allied gums (mt)	565	579	598,713	503,310	72	87	78,669	67,974
Other	---	---	545,161	585,972	---	---	66,021	80,550
Total	---	---	12,700,433	13,458,070	---	---	1,647,660	1,671,308

Trade balance

	October-May		May	
	1983/84	1984/85	1984	1985
	$ Mil.			
Exports				
Agricultural	27,277	23,699	3,194	2,109
Nonagricultural	111,000	120,484	15,058	15,707
Total 1/	138,277	144,183	18,252	17,816
Imports				
Agricultural	12,700	13,458	1,648	1,671
Nonagricultural	189,722	205,671	24,686	27,572
Total 2/	202,422	219,129	26,334	29,243
Trade balance				
Agricultural	14,577	10,241	1,546	438
Nonagricultural	-78,722	-85,187	-9,628	-11,865
Total	-64,145	-74,946	-8,082	-11,427

1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

World supply and utilization of major crops

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 F
				Mil. units			
Wheat							
Area (hectare)	228.9	227.6	236.5	239.3	238.5	229.7	231.0
Production (metric ton)	446.8	422.8	442.7	448.4	479.1	490.3	513.8
Exports (metric ton) 1/	72.0	86.0	94.1	101.3	98.6	102.9	105.6
Consumption (metric ton) 2/	430.2	443.5	445.6	441.4	467.8	488.4	502.7
Ending stocks (metric ton) 3/	100.9	80.4	78.2	85.1	96.4	98.3	109.5
Coarse grains							
Area (hectare)	342.8	341.1	336.6	343.9	332.4	329.4	335.1
Production (metric ton)	753.6	741.5	732.0	768.9	779.2	684.9	804.4
Exports (metric ton) 1/	90.2	98.8	108.0	96.5	89.9	91.9	103.2
Consumption (metric ton) 2/	748.1	740.3	742.1	738.8	753.5	758.2	780.8
Ending stocks (metric ton) 3/	91.2	91.6	82.8	112.9	138.6	65.3	88.8
Rice, milled							
Area (hectare)	144.1	143.1	144.3	145.1	141.1	144.8	144.4
Production (metric ton)	260.7	253.9	271.0	280.6	285.5	307.3	318.1
Exports (metric ton) 4/	11.6	12.7	13.1	11.6	11.9	12.7	11.8
Consumption (metric ton) 2/	255.8	257.8	272.3	281.4	289.6	307.4	314.8
Ending stocks (metric ton) 3/	27.7	23.4	22.1	21.3	17.3	17.3	20.6
Total grains							
Area (hectare)	715.8	711.8	717.4	728.3	712.0	703.9	710.5
Production (metric ton)	1,461.1	1,418.2	1,445.7	1,497.9	1,543.8	1,482.5	1,636.3
Exports (metric ton) 1/	173.8	197.5	215.2	209.4	200.4	207.5	220.6
Consumption (metric ton) 2/	1,434.1	1,441.9	1,460.0	1,461.6	1,510.9	1,554.0	1,598.3
Ending stocks (metric ton) 3/	219.8	195.4	183.1	219.3	252.3	180.9	218.9
Oilseeds							
Production (metric ton)	150.5	170.1	155.8	169.5	177.9	164.9	186.0
Trade (metric ton)	30.7	35.9	32.1	36.0	35.0	32.8	32.7
Meals							
Production (metric ton)	84.5	92.9	90.8	94.0	98.0	92.8	99.6
Trade (metric ton)	22.8	26.5	25.9	28.8	31.4	29.4	30.9
Oils							
Production (metric ton)	36.9	39.7	40.0	41.5	43.3	42.3	45.7
Trade (metric ton)	10.9	12.8	12.5	13.2	14.2	13.9	15.0
Cotton							
Area (hectare)	32.4	32.2	32.4	33.2	31.9	31.3	34.6
Production (bale)	59.6	65.2	64.8	70.8	67.5	67.9	85.0
Exports (bale)	19.7	23.1	19.7	20.2	19.4	19.3	20.9
Consumption (bale)	62.0	65.3	65.9	65.5	68.0	69.0	69.7
Ending stocks (bale)	24.1	24.0	24.1	25.4	12.0	24.8	39.0

F = Forecast. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1979 data correspond with 1978/79, etc.

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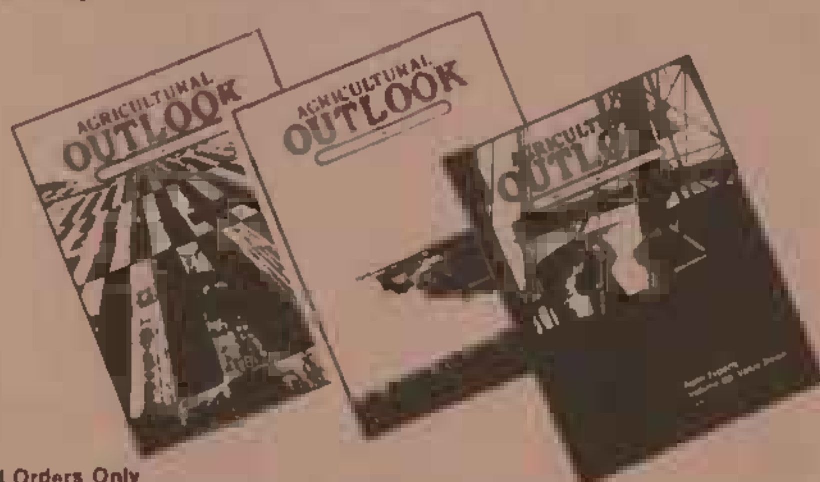

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